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VOUCHER PROGRAM GUIDEBOOK

Housing Choice

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The contents of this guidebook are the views of the contractor and do not necessarily reflect the views or policy of the Department of Housing and Urban Development or the U.S. Government.

Prepared by:

Quadel Consulting Corporation
1250 Eye Street, NW
Washington, DC 20005

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CHAPTER 1
INTRODUCTION TO THE GUIDEBOOK

1.1 PURPOSE AND ORGANIZATION OF GUIDEBOOK

The purpose of this guidebook is to advise public housing agencies (PHAs) and other organizations providing services to PHAs regarding the administration of the tenant-based subsidy programs. The housing choice voucher program will fully replace the rental certificate and rental voucher programs no later than October 2001. Where appropriate, this guidebook includes discussion of the conversion of certificates and vouchers to housing choice vouchers.

The guidebook includes an historical review of the tenant-based rental assistance programs, discusses program requirements in detail, and provides helpful administrative practices currently used by PHAs that operate the program. This guidebook does not cover the moderate rehabilitation program and the project-based certificate program.

In general, this guide chronologically introduces the sequence of events experienced by a family participating in the program. The guidebook begins discussion with outreach and program plans, and proceeds to program participation, including applications and eligibility, leasing, inspections, rent reasonableness, reexaminations, and termination of assistance by a PHA. This guidebook also includes chapters about financial management, program administration staffing, and program integrity. The table of contents provides a detailed listing of chapter titles and contents.

This guidebook does not include HUD-required forms, but it does contain sample forms and form letters that PHAs may find useful. Program forms are located in Handbook 7420.8 and on the worldwide web at www.hudclips.org.

This introductory chapter provides helpful background information for program administrators. Topics include: a brief history of the program and the funding application process, special types of housing choice vouchers, the Section 8 Management Assessment Program (SEMAP), roles and responsibilities of key program players, and a summary flow chart of key steps in a family's program participation.

1.2 BACKGROUND AND KEY EVENTS IN THE HISTORY OF THE TENANT-BASED HOUSING PROGRAMS

United States Housing Act of 1937

The U.S. Housing Act of 1937 authorized local PHAs established by individual states. The 1937 Act also initiated the public housing program. Local PHAs owned and managed public housing and, at the time the public housing program began, PHAs adopted a production approach to providing affordable housing for low-income families because of the Depression Era emphasis on job creation and slum elimination.

For nearly 30 years, public housing that was owned and managed by local PHAs was the primary source of housing assistance for low income families. Over time, the federal government strategy for housing assistance shifted from sole involvement by PHAs toward involvement by the private housing sector.

Section 23 Leased Housing Program

Implemented in 1965, the Section 23 program was the first PHA administered housing program to use privately owned housing. Under the Section 23 program, PHAs leased units from private owners and sublet them to low-income families. PHAs retained tenant selection, rent collection, and, in some cases, management/maintenance responsibilities.

The Section 8 existing housing program replaced the Section 23 program in 1974. PHAs were required to convert Section 23 assisted units to the Section 8 existing housing program. Only a few developments still need to be converted.

Housing Act of 1968

The Section 235 homeownership program and the Section 236 rental program created by the 1968 Housing Act continued the strong movement toward using subsidies in privately developed, privately owned housing.

Experimental Housing Allowance Program (EHAP)

The EHAP was the most extensive social program demonstration ever conducted by the federal government. It tested the feasibility of providing housing allowances to eligible families and was conducted in 12 locations between 1971 and 1980. This demonstration was the earliest form of federal tenant-based subsidy. Over a nine-year period, nearly 50,000 households received cash assistance. Participants leased units directly from private owners, and homeowners as well as renters were able to participate at two of the demonstration sites.

HUD's evaluation of the EHAP demonstration found that:

- A housing allowance-type program could preserve existing housing stock by encouraging owner repairs and maintenance.
- Allowing families mobility allowed families to select better neighborhoods.
- Families did not select expensive units, and were able to pay their share of the rent in the selected units.

The Housing and Community Development Act of 1974

The Housing and Community Development Act of 1974, enacted several years after the start of the EHAP, authorized the Section 8 program. This legislation signaled a significant shift in the federal housing strategy from locally owned public housing to privately owned rental housing. The Section 8 program included two components:

- Section 8 project-based assistance for existing, newly constructed or rehabilitated housing. These programs replaced the Section 236 programs as the federal government's production programs for privately-owned assisted housing providing housing assistance to families living in specific buildings built or rehabilitated under program contracts; and

- The Section 8 existing housing program, a newly created housing assistance program to be administered by PHAs provided tenant-based subsidies. Under this program, sometimes called the "finders keepers" or "certificate" program, families selected their own housing, and the subsidy followed the family when the family moved.

The Section 8 Existing Housing Program

Authorized by the 1974 Housing Act, the Section 8 existing housing program, also known as the rental certificate program, was modeled on the EHAP, but had the following key differences:

- Under the rental certificate program, the PHA made subsidy payments directly to the owners on behalf of the family rather than making payments to the family; and

- The rental certificate program imposed a HUD-established ceiling (fair market rent) on the gross rent for a unit leased under the program.

Under the rental certificate program families generally paid 25 percent of adjusted income toward the rent; in 1983 this family share increased to 30 percent of adjusted income.

The program grew rapidly and was popular with Congress, local governments, owners, and low income families because it:

- Provided assistance quickly;

- Allowed family a choice of housing and anonymity;

- Dispersed families throughout the community and did not create projects or site selection problems; and

- Was a relatively inexpensive program, per family assisted.

Rental Voucher Program

Authorized by Congress as a demonstration program in 1984, the rental voucher program was formally authorized as a program in the Housing and Community Development Act of 1987. The program was similar to the rental certificate program, but it allowed families more options in housing selection. The key differences between the rental certificate and rental voucher programs were:

- The rental voucher program did not have a fair market rent limitation; and
- The rental voucher program provided assistance to families based on a pre-determined calculation of assistance amount. Depending on the cost of the housing they actually rented, families could pay more or less than 30 percent of adjusted income toward rent.

The Conforming Rules to Combine the Certificate and Voucher Programs

HUD issued three "conforming" rules in 1994, 1995, and 1998 to more closely combine and conform the rental certificate and rental voucher programs to the extent permitted by law.

In July 1994 and July 1995, HUD published the first two parts of a "conforming" rule designed to combine all aspects of the two programs that did not have different statutory requirements. The July 1994 rule established unified admissions rules. The 1995 rule standardized a wide range of other administrative and leasing activities.

A third conforming rule was published in June 1998. It addressed rent reasonableness, the calculation of rent and housing assistance payments, and the use of special housing types.

While these conforming rules made vouchers and certificates as similar as possible under existing legislation, there were still fundamental differences in establishing unit rents and the rent share paid by program participants.

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) and Merger of the Certificate and Voucher Programs

In October 1998, Congress passed housing reform legislation, including a full merger of the certificate and voucher programs. This legislation eliminated all differences, and required that the subsidy types merge into one housing choice voucher program.

In May 1999, HUD published an interim rule providing for the complete merger of the certificate and voucher programs into the new housing choice voucher program. The certificate program is to be phased out by October 2001. This interim rule was effective October 1, 1999, which is known as the merger date.

1.3 CONVERSION FROM THE RENTAL CERTIFICATE AND RENTAL VOUCHER PROGRAMS TO THE HOUSING CHOICE VOUCHER PROGRAM

The change of assistance from the certificate and voucher program to the housing choice voucher program started October 1, 1999. Effective immediately, all rental vouchers and over-FMR certificate tenancies became subject to requirements of the housing choice voucher program. This was possible because the housing choice voucher program was modeled on these programs, and the housing assistance payments contracts for those tenancies allowed for changes in computing unit subsidy and family share of rent based upon HUD program rules.

Unlike the pre-merger voucher program, the housing choice voucher program requires families to pay at least 30 percent of income toward rent.

Families receiving assistance under the rental certificate program will transition to housing choice vouchers at the earliest of the following dates: date they move to a new unit with assistance, date they sign a new lease for the same unit, date they agree to convert to housing choice voucher assistance, or the date of their second annual reexamination on or after October 1, 1999.

Exhibit 1-1, *Summary of Differences Between Pre-Merger Certificates and Housing Choice Vouchers*, contains a chart that highlights the major differences between these two forms of assistance. Additional information on the conversion of rental certificate and rental voucher assistance to the housing choice voucher program is included in Chapter 14, *Conversion of Certificates and Vouchers*.

1.4 APPLYING TO HUD FOR ADDITIONAL HOUSING CHOICE VOUCHER ASSISTANCE

Periodically, Congress appropriates funds for distribution to PHAs for additional housing choice vouchers. These funds may be earmarked for special populations, or they may be available to the general eligible population. Generally, funding awards are competitive.

When funding for additional assistance is available, HUD publishes a notice of funding availability (NOFA) informing PHAs that funding is available and describing the application process, the rating and ranking procedures, and the deadline for application submission. The NOFA describes any special population for which the funding is earmarked, or if the funding is to be allocated by fair share formula, the NOFA also describes the fair share calculations to be used in determining the amount of funding to be awarded to HUD-designated allocation areas. PHAs are required to meet general performance requirements to be eligible to receive additional subsidy (e.g., having at least 90 percent of any previously allocated units under lease and Housing Assistance Payments (HAP) contract). The NOFA describes rating and ranking criteria on which applications will be approved for funding. HUD notifies the PHA of the approval or disapproval of its application.

EXHIBIT 1-1
SUMMARY OF DIFFERENCES BETWEEN PRE-MERGER CERTIFICATES AND HOUSING CHOICE VOUCHERS

Topic	Certificates	Housing Choice Vouchers
Fair Market Rents (FMRs) and Payment Standards	No new certificates will be issued. Therefore, FMRs no longer affect certificates. Payment standards do not apply to certificates.	The PHA sets the payment standard between 90% and 110% of the FMR. Families may lease a unit that rents for more or less than the payment standard.
Family Share	The total tenant payment (TTP) is the greater of 30% of adjusted income, 10% of gross income, the welfare rent (in as-paid states only) or the PHA minimum rent. Families may not make side payments or elect to pay more than the TTP.	The TTP is the greater of: 30% of adjusted income, 10% of gross income, the welfare rent (in as-paid states only), or the PHA minimum rent. If the family chooses a unit with a gross rent that exceeds the payment standard, the family pays the TTP plus the amount by which the gross rent exceeds the payment standard.
Subsidy	The subsidy is the difference between the TTP and the gross rent. The gross rent cannot exceed the FMR limit.	The subsidy is the difference between the TTP and 1) the payment standard or 2) the gross rent, whichever is lower.
Affordability	Family rent is based on income. There was no affordability standard.	The family may not pay more than 40% of monthly adjusted income at admission or when a family moves to a new unit with a gross rent that exceeds the payment standard.
Rent Increases	Annually on the anniversary date, the PHA uses annual adjustment factors published by HUD to approve rent increases which are subject to a rent reasonableness test.	Rent increases are not limited by the annual adjustment factor but are subject to a rent reasonableness test.

PHAs may also be invited to apply for additional funding, not in response to a NOFA, but as a result of housing conversion actions in which private owners of assisted properties have prepaid a HUD-insured mortgage or opted out of a project-based HAP contract. In these cases, the PHA responds to a specific request from the local HUD office and submits an application for housing choice voucher funding to assist tenants affected by terminations of project-based assistance. Circumstances which can result in such applications are described below in the section on housing conversion actions.

Funding to Assist Special Categories of Families to be Selected From the PHA Waiting List

In addition to regular allocations of housing choice voucher assistance, HUD periodically provides assistance targeted to specific groups or household categories. For such allocations, PHAs use their waiting lists to select families that fall into the specific targeted assistance categories. The following are some examples:

- *Family Unification Program*: Family unification program (FUP) allocations are provided to PHAs to assist families who have lost, or are in danger of losing, their children to foster care, but who may be able to retain custody of their children or reunite the family if they can obtain adequate housing. From their waiting lists, PHAs select families that have been identified or referred to the PHA by the local public child welfare agency as program candidates based on family circumstances. In addition to meeting the public child welfare agency criteria, families selected for FUP assistance must meet basic housing choice voucher eligibility requirements.

  The public child welfare agency and the PHA sign a memorandum of understanding. Under the memorandum of understanding, the responsibilities of the PHA and the public child welfare agency are identified.

- *Welfare-to-Work Voucher Program*: In Fiscal Year 1998, Congress appropriated approximately $283 million to fund 50,000 housing choice vouchers intended to help eligible families transition from welfare to work and/or sustain work. This program requires PHAs that receive funding to work with service agencies in the locality, providing a coordinated service package to help families move from welfare to work. The housing choice voucher program provides the critical element of housing assistance during this period.

  These housing choice vouchers are available to applicant families who are eligible to receive, currently receive, or have received TANF assistance within the last two years. Families who are on the housing choice voucher waiting list and meet the basic eligibility and the PHA's selection criteria, receive housing choice vouchers to search for housing in the private market.

- *Mainstream Housing Opportunities for Persons with Disabilities*: Periodically, housing choice voucher funding is available to PHAs and nonprofit organizations that provide services to disabled families. The housing choice voucher assistance enables elderly and non-elderly persons with disabilities, who often face difficulties locating suitable and accessible housing on the private market, to lease affordable housing of their choice.

  Housing choice vouchers are available to eligible disabled families regardless of the type of disability; preferences based on type of disability are prohibited. Recipients for this assistance are selected from the regular housing choice voucher waiting list.

Funding to Assist Families Who Are Not on the PHA Waiting List: Special Admissions

Special admissions may occur when HUD allocates funding for families residing in specific housing. In these cases, the funding is intended for families in specifically identified circumstances without regard to waiting list status; the families are not required to be on the PHA waiting list at all. The funding has been provided to assist these specific families, and they must have the opportunity to use the housing choice vouchers to locate housing. After all designated families living in the identified housing have been assisted and when the housing choice voucher

turns over, the funding may be used for families from the regular housing choice voucher waiting list. The following are some examples:

- *Public Housing Demolition/Disposition/Vacancy Consolidation*: PHAs receive allocations of housing choice voucher funding to be used for families who will be displaced as a result of public housing demolition, disposition, or vacancy consolidation actions. The housing choice vouchers must be issued to these families to find alternative housing before the displacement is required.

  Funding may be placed under annual contributions contracts (ACCs) before it is actually needed. PHAs must ensure that the assistance is made available for families for whom the funding was earmarked.

- *Mainstream Housing – Elderly Designation (i.e., Rental Assistance for Non-Elderly Persons with Disabilities in Support of Designated Housing Plans*): HUD may allocate housing choice voucher funding to assist non-elderly families with disabilities. This voucher funding is intended to provide sufficient alternatives to non-elderly disabled families who would otherwise have been housed by the PHA if a project or building had not been restricted solely to elderly households. The funding can also be allocated to PHAs that wish to continue designating their buildings as "mixed elderly and disabled buildings" but can demonstrate a need for alternative resources for non-elderly disabled families.

  This assistance is targeted solely to non-elderly disabled families that are income eligible and live in public housing that has been designated for occupancy by the elderly. It is not necessary for these families to be on the housing choice voucher waiting list. The funding may also be used for non-elderly disabled families that are on the PHA's waiting list for public housing.

- *Moderate Rehabilitation Contract Expirations*: Moderate rehabilitation contracts are fifteen-year agreements between a PHA and private owner, regarding specific units in a single-family or multifamily property. Rental assistance is provided to families living in these units. If, at the end of the fifteen-year HAP contract term, the owner decides not to renew its HAP contract, HUD provides a special allocation of voucher funding to the PHA, so that families living in the property do not lose their assistance as a result of the HAP contract expiration. The families may use these housing choice vouchers in their current units, or may move with the housing choice voucher assistance.

- *Project-Based Assisted Housing Conversion Actions*: When a HAP contract for a project-based assisted development ends, in a housing conversion action, HUD will make housing choice vouchers available to protect families that reside in the units and families that were assisted under the project-based HAP contract. HUD publishes notices which describe the actions to be taken by owners and HUD offices at the time a project-based HAP contract ends. PHAs are invited to apply for allocations of housing choice vouchers targeted for families living in a project undergoing a housing conversion action. These housing choice

vouchers are sometimes called "enhanced vouchers". They are for families that continue to live in the same unit when an owner elects to opt out of a project-based HAP contract.

Rules regarding administration of these vouchers vary from regular housing choice voucher rules with regard to the payment standard used in subsidy calculations if the family elects to remain in the same project. HUD notices specify special rules to be used for administration of assistance to tenants who are affected by housing conversion actions.

Project-based assisted housing conversion actions include the following:

- Project-based opt-outs. This term refers to a conversion action where an owner chooses to opt out of certain programs by not renewing an expiring Section 8 project-based HAP contract. Starting in FY 2000 and subject to the availability of appropriations, enhanced vouchers are provided for eligible residents who were assisted under the expiring project-based contract on the date of expiration.

- Pre-payment of HUD-insured mortgage. This term refers to a conversion action where an owner chooses to pre-pay a HUD-insured mortgage on a Section 8 property. Starting in FY 2000 and subject to the availability of appropriations, enhanced vouchers are provided for the eligible residents who were assisted under the project-based contract on the date of the pre-payment.

- HUD enforcement actions. This term refers to situations where HUD is either terminating the Section 8 project-based HAP contract or, due to the owner's failure to comply with the terms of the HAP contract, not offering the owner the option to renew an expiring contract. HUD enforcement actions may also result from material adverse financial or managerial actions or omissions which have led to either owner default under a FHA-insured mortgage (monetary or technical) or documented material violations of one or more of the obligations under the project's regulatory agreement. In these circumstances, regular housing choice vouchers will be provided to assist eligible families affected by the enforcement action.

- HUD property disposition. This term refers to situations where, due to an owner default on an FHA-insured mortgage, HUD is the mortgagee-in-possession or owner of the multifamily property and is closing down or selling the property to a new owner. Regular housing choice vouchers will be provided to assist eligible families in these cases.

1.5 THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP)

SEMAP was designed by HUD as a tool to measure the performance of PHAs administering the housing choice voucher program and the family self-sufficiency (FSS) component of the voucher program.

SEMAP is a performance measure tool designed to:

- Assess whether the housing choice voucher program is assisting eligible families to afford decent, safe, and sanitary housing at the correct subsidy cost;
- Measure PHA performance in key areas of the housing choice voucher program to ensure program integrity and accountability;
- Identify PHA management capabilities and deficiencies to target technical assistance more effectively; and
- Assist PHAs in assessing and improving their own program operations.
- Evaluate whether the PHA affirmatively furthers fair housing.

SEMAP INDICATORS

SEMAP includes the following 14 performance indicators and one bonus indicator:

- Indicator 1, Selection from the waiting list
- Indicator 2, Rent reasonableness
- Indicator 3, Determination of adjusted income
- Indicator 4, Utility allowance schedule
- Indicator 5, HQS quality control inspections
- Indicator 6, HQS enforcement
- Indicator 7, Expanding housing opportunities
- Indicator 8, FMR limit and payment standards
- Indicator 9, Annual reexaminations
- Indicator 10, Correct tenant rent calculations
- Indicator 11, Pre-contract HQS inspections
- Indicator 12, Annual HQS inspections
- Indicator 13, Lease-up
- Indicator14, Family self-sufficiency (FSS) enrollment and escrow accounts
- Deconcentration bonus indicator

During the PHA fiscal year, PHAs must track their own performance on the 14 SEMAP indicators and the deconcentration bonus indicator if applicable. Within 60 days of the end of the PHA fiscal year, the PHA must complete and submit form HUD-52648, SEMAP Certification to HUD.

The certification must attest to the results of quality control review the PHA performed on four indicators: selection from the waiting list; rent reasonableness; determination of adjusted income; and HQS enforcement.

With the certification, the PHA must submit information regarding payment standards, data on FSS enrollment and escrow accounts and an addendum to support any claim for the deconcentration bonus indicator.

Each indicator is assigned a numerical value, based upon PHA performance. HUD independently assesses and verifies each PHA's performance using data submitted electronically through HUD's Multifamily Tenant Characteristics System (MTCS) using the Family Report, form HUD-50058 and other available information.

Once all indicators have been scored, the overall score is determined by summing all earned points and dividing by the total possible points.

HUD will prepare a SEMAP profile for each PHA, assign an overall rating, and notify each PHA in writing of its rating on each SEMAP indicator, its overall SEMAP score, and its overall performance rating.

There are four possible overall ratings:

- High Performer Rating: score of 90 percent or higher
- Standard Performer Rating: score of 60 percent to 89 percent
- Troubled Performer Rating: score of less than 60 percent
- Modified or Withheld Rating: only when warranted by special circumstances

If a PHA receives a troubled rating, the HUD field office must conduct an on-site confirmatory review before changing the rating to either "standard performer" or "high performer."

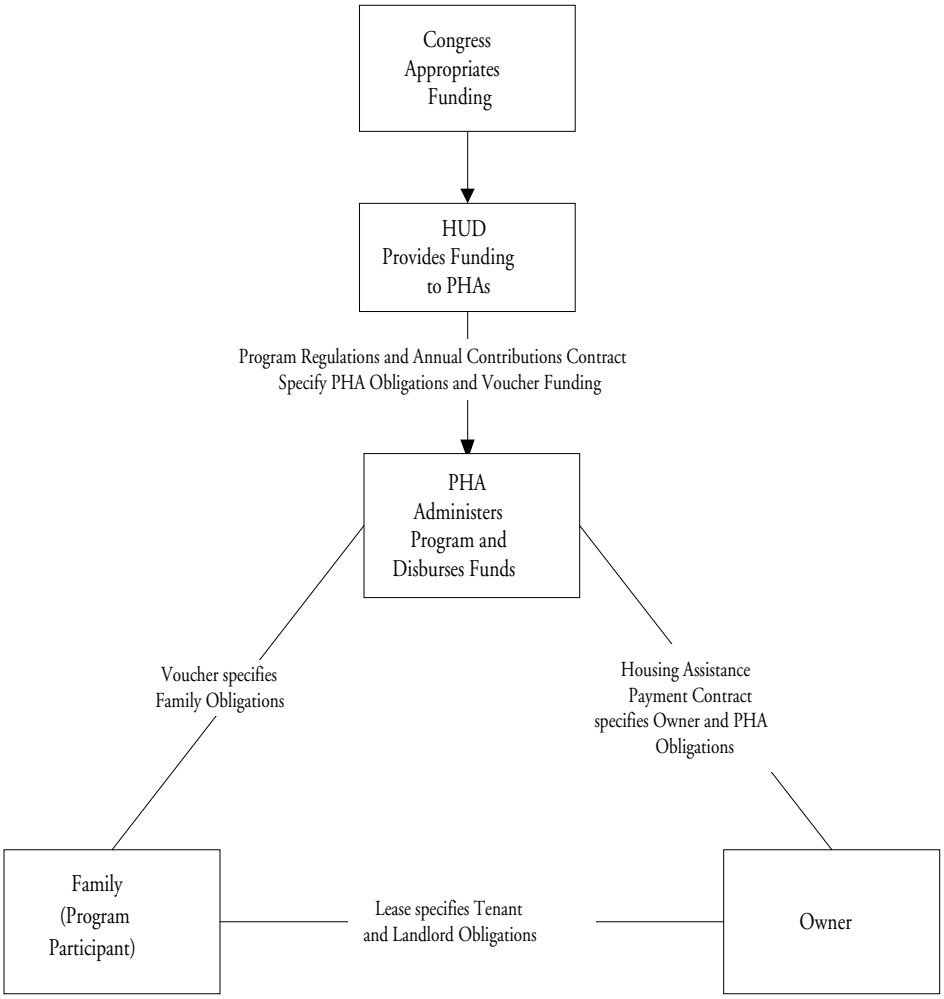
PHAs are required to correct any performance deficiencies within 45 days of notification by HUD. If the PHA is unable to correct deficiencies within 45 days, it must submit a corrective action plan for each deficiency within 30 calendar days from the date of the HUD notice.

1.6 ROLES AND RESPONSIBILITIES OF KEY HOUSING CHOICE VOUCHER PROGRAM PLAYERS

PHAs administering the housing choice voucher program enter into contractual relationships with three parties: HUD, the owner, and the family. The roles and responsibilities of HUD, the PHA, the owner, and the family are defined in the federal regulations and in the legal documents that the parties execute to participate in the program.

Exhibit 1-2, *Relationship and Controlling Documents in the Housing Choice Voucher Program*, illustrates the relationships that exist at the federal and local levels, and identifies the legal documents defining these relationships for the housing choice voucher program.

EXHIBIT 1-2
RELATIONSHIP AND CONTROLLING DOCUMENTS IN THE HOUSING CHOICE VOUCHER PROGRAM



The annual contributions contract (ACC) between HUD and the PHA provides the PHA with funding for housing assistance to very low-income households, and establishes the PHA's responsibilities in administering this funding.

Role of HUD

HUD has four major responsibilities:

- Develop policy, regulations, handbooks, notices, and guidance to implement housing legislation;
- Allocate housing assistance funds;
- Provide technical assistance and training to PHAs; and
- Monitor PHA compliance with program requirements and performance goals.

Role of the PHA

The PHA administers the housing choice voucher program under contract with HUD and has the following areas of responsibility:

- Establishing local policies;
- Determining family eligibility and reexamining of family income;
- Maintaining the waiting list and selecting families for admission;
- Calculating of family share of the rent and the amount of the housing assistance payment;
- Establishing of utility allowances;
- Conducting outreach to owners, with special attention to those with units outside of areas of poverty or minority concentration;
- Assisting persons with disabilities in finding satisfactory housing;
- Approving units, including assuring compliance with housing quality standards and determining the reasonableness of rent;
- Making housing assistance payments to owners;
- Conducting informal reviews and hearings at the request of applicants and participants challenging PHA administrative decisions;
- Administering the FSS program; and

- Complying with fair housing and equal opportunity requirements, HUD regulations and requirements, the consolidated ACC, HUD-approved applications for program funding, the PHA's administrative plan, and federal, state and local laws.

PHA responsibilities are defined in the consolidated ACC, the HAP contract, and in applicable regulations. Generally, the PHA does not own the assisted unit and does not perform owner functions. However, PHAs may screen applicants for family behavior or suitability for tenancy.

Role of the Owner

The owner has the following major responsibilities:

- 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 any damage to the unit;
- Maintaining unit compliance with HQS;
- Complying with fair housing and equal opportunity requirements; and
- Paying for utilities, maintenance, and services (unless paid for by the family under the lease).

Owner responsibilities for the housing choice voucher program are defined in the HAP contract, the lease, and HUD regulations at 24 Code of Federal Regulations (CFR) Part 982.

Role of the Family

Responsibilities of the family include:

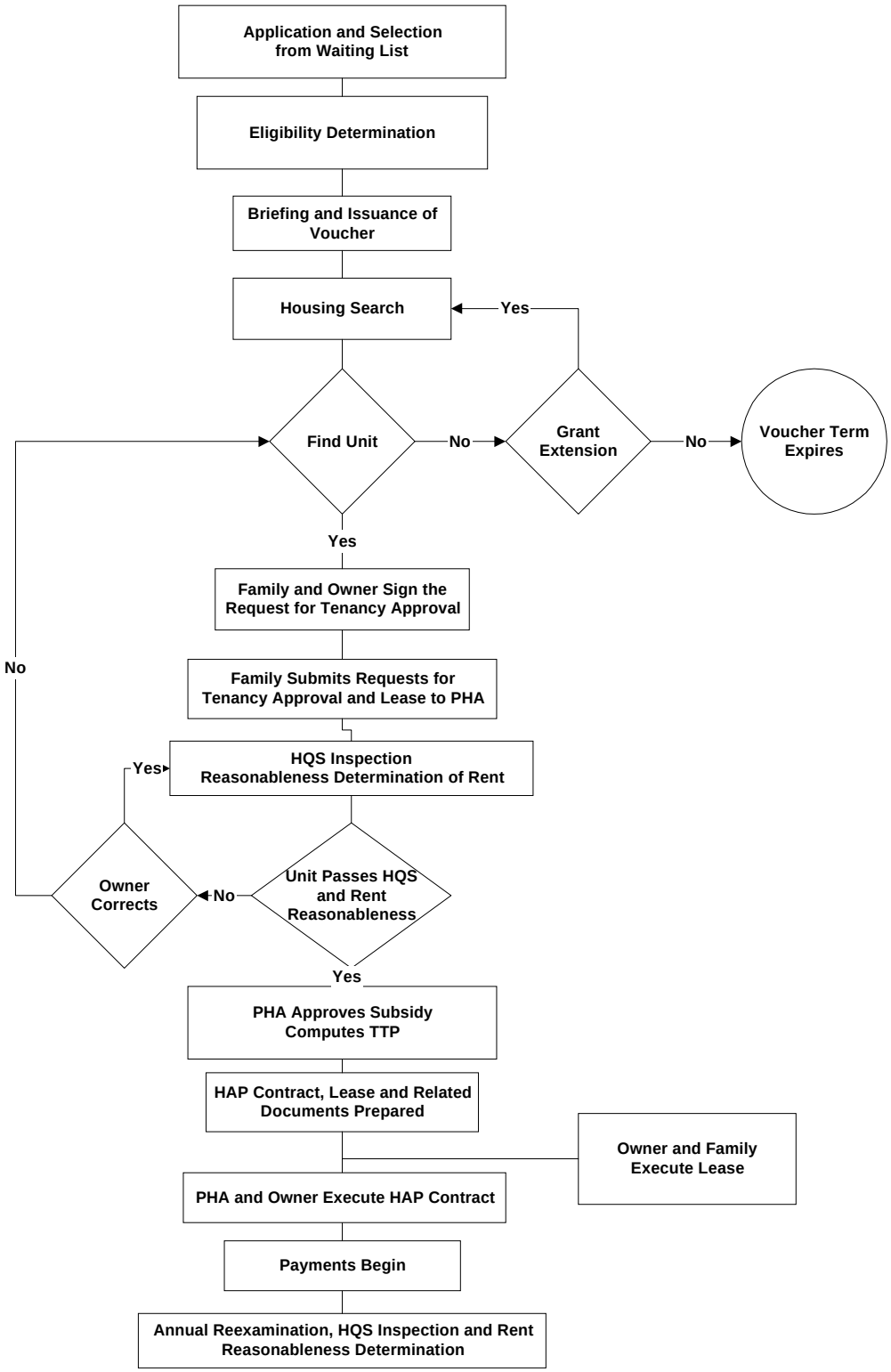
- Supplying true and complete required information including:
  - Any information that the PHA or HUD determines necessary in the administration of the program, including evidence of citizenship or eligible immigration status;
  - Information as requested for regular or interim reexaminations of family income; and
  - Social security numbers and signed consent forms for obtaining and verifying information;
- Fixing any breach of HQS caused by the family;

- Allowing the PHA to inspect the unit at reasonable times and after reasonable notice;
- Not committing any serious or repeated violation of the lease;
- Not engaging in drug-related criminal activity or violent criminal activity;
- Notifying the PHA and the owner before moving or terminating the lease with the owner;
- Promptly giving the PHA a copy of an eviction notice from the owner;
- Using the assisted unit as a residence only and as the only residence of the family. Members of the household may engage in legal profit-making activities within the unit, but only if those activities are incidental to the primary use of the unit as a residence. The members of the family also may not receive another housing subsidy in the same unit or a different unit;
- Promptly informing the PHA of any change in household composition and obtaining PHA approval to add a family member by any means other than birth, adoption, or court-awarded custody of a child;
- Notifying the PHA of any absence from the unit and complying with PHA policies governing absence from the unit;
- Not subletting the unit, assigning the lease, or having any interest in the unit; and
- Not committing fraud, bribery, or any other corrupt or criminal act in connection with any assisted housing programs.

Family obligations are stated on the Housing Voucher (form HUD-52646), in the lease, and in the program regulations at 24 CFR, Part 982, for housing choice voucher holders.

Exhibit 1-3, *Key Activities in Program Administration*, summarizes key activities in program administration for both PHAs and program participants. The remainder of this guidebook provides detailed guidance on all aspects of program operations.

EXHIBIT 1-3
KEY ACTIVITIES IN PROGRAM ADMINISTRATION



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CHAPTER 2
EXPANDING HOUSING OPPORTUNITIES AND MOBILITY

2.1 OVERVIEW

Providing opportunities for very low-income families to obtain rental housing outside areas of poverty or minority concentration is an important goal of the housing choice voucher program. The PHA is responsible for informing families about the availability and benefits of mobility opportunities and for improving access to such housing opportunities. The PHA can improve access through outreach to landlords who manage outside areas of poverty or minority concentration, high-quality information about housing opportunities, encouragement and support for families in the housing search, effective implementation of portability or other cooperative mobility measures with neighboring PHAs, and other more direct assistance to the families.

The housing choice voucher program is now the largest assisted housing program administered by HUD. Having grown in size while other programs (e.g., public housing, multifamily housing programs) have decreased in size, more attention is focused on the housing choice voucher program at the national, state, and local levels. The growth in the housing choice voucher program and the relocation of many public housing families to private housing have caused concern about avoiding excessive concentrations of housing choice voucher families in high-poverty or minority neighborhoods.

At the same time, some PHAs and housing choice voucher families have encountered opposition from residents who oppose having very low-income families move into their neighborhoods. PHAs need to establish positive relations in these neighborhoods and help families overcome the barriers that prevent families from moving to such neighborhoods.

Opportunity moves have important benefits to housing choice voucher families. Research from HUD's moving to opportunity (MTO) demonstration and from the *Gautreaux* desegregation program in Chicago has shown that families with children moving from communities of high-poverty concentration to low-poverty communities tend to perform better in school (e.g., drop out rates are lower, grades are better, college attendance rates are higher). In addition, families report benefiting greatly from reduced crime and greater employment opportunities.

A HUD objective is to encourage the movement of these families into a broader range of neighborhoods through the provision of affordable housing. The primary methods PHAs can use to achieve deconcentration are to:

- Learn more about the location of affordable housing throughout the PHA jurisdiction;
- Identify neighborhoods with high and low concentrations of poverty, as well as the trends in changes in marginal neighborhoods;
- Recruit owners outside areas of poverty or minority concentration;

- Inform and encourage families living in high-poverty neighborhoods to consider moving to lower-poverty neighborhoods; and

- Refer families who live in high-poverty neighborhoods to organizations that provide relocation counseling and assistance.

2.2 PROGRAM REQUIREMENTS

Although a PHA may provide information and assistance to expand the choices available to families searching for housing, the PHA may not limit the family's freedom of choice in selecting housing.

Program regulations promoting the objectives of deconcentration require that the PHA's administrative plan describe its policies for encouraging participation from owners of suitable units located outside areas of poverty or minority concentration.

The briefing for new program participants must include an explanation of where the family may lease a unit, including whether they have the choice of leasing a unit inside or outside the PHA jurisdiction. For families eligible to lease outside the PHA jurisdiction, the briefing must include a description of how portability works. PHAs may not discourage a family from choosing to live anywhere in the PHA's jurisdiction, or outside the PHA jurisdiction under portability.

If the family is currently living in a high poverty census tract in the PHA's jurisdiction, the briefing must also explain the advantages of moving to an area that does not have a high poverty concentration.

In briefing a family that includes any persons with disabilities, the PHA must take appropriate steps to ensure effective communication with the family.

The information packet that the PHA must provide to new participants should include information describing deconcentration objectives and assisting families in achieving these objectives. (For detailed requirements, see Section 2.7, Information Packets.)

2.3 SEMAP REQUIREMENTS

SEMAP reflects program deconcentration requirements and identifies how PHA performance to promote these objectives will be assessed. PHAs whose programs demonstrate an increase in deconcentration during the assessment period receive bonus points.

SEMAP Indicator 7, Expanding Housing Opportunities, applies only to PHAs with jurisdiction in metropolitan Fair Market Rent (FMR) areas, and assesses whether the PHA:

- Has adopted and implemented a written policy to encourage participation by owners of units located outside poverty or minority concentration areas;

- Informs housing choice voucher families of the full range of areas where they may lease units both inside and outside the PHA's jurisdiction; and

- Supplies the family with a list of owners or other parties who are willing to lease units or help families find units, including units outside areas of poverty or minority concentration.

In order to answer the SEMAP questionnaire PHAs submit to HUD annually, PHAs must initially review their own policies and practices for compliance.

There are five points available for SEMAP Indicator 7. The PHA receives five points if:

- The PHA has a written policy in its administrative plan that includes actions it will take to encourage participation by owners of units outside areas of poverty or minority concentration and that delineates areas in its jurisdiction that it considers poverty or minority concentration areas;

- The PHA documentation shows that it has taken actions indicated in its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration;

- The PHA has prepared maps that show locations of housing opportunities outside areas of poverty or minority concentration, both within and without its jurisdiction; has assembled information about job opportunities, schools, transportation, and other services in these areas; and can demonstrate that it uses the maps and area characteristics information when briefing housing choice voucher holders about the full range of areas where they may look for housing;

- The PHA's information packet for housing choice voucher holders contains either a list of owners who are willing to lease (or properties available for lease) under the housing choice voucher program, or a current list of other organizations that will help families find units. The PHA must demonstrate that the list includes properties or organizations that operate outside areas of poverty or minority concentration;

- The PHA's information packet includes an explanation of how portability works and a list of portability contact persons for neighboring PHAs, with the name, address, and telephone number of each, for use by families who move under portability; and

- The PHA documentation shows that the PHA has analyzed whether housing choice voucher holders have experienced difficulties in finding housing outside areas of poverty or minority concentration. If such difficulties have been found, PHA documentation shows that the PHA has analyzed whether it is appropriate to increase its payment standard within the basic range of 90 percent to 110 percent of the FMR or to seek HUD approval of area exception payment standards in any part of its jurisdiction. The PHA must also demonstrate that it has sought HUD approval of exception payment standards when necessary.

Unless, *all* six of these statements are true, the PHA receives zero points under Indicator 7.

In addition to SEMAP Indicator 7, there is an optional deconcentration bonus indicator that applies only to PHAs with jurisdictions in metropolitan FMR areas. It assesses the percent of housing choice voucher families with children who live in, and who have moved during the PHA fiscal year to, low-poverty census tracts in the PHA's area.

Eligible PHAs that wish to claim the five available bonus points must submit data to support their claim. That data must show that *either***:**

- Half or more of all housing choice voucher families with children who were assisted by the PHA reside in low-poverty census tracts at the end of the last completed PHA fiscal year; or

- The percent of housing choice voucher families with children who moved to low-poverty census tracts in the PHA's area during the last completed PHA fiscal year is at least two percentage points higher than the percent of all housing choice voucher families with children who resided in low poverty census tracts at the end of the last completed PHA fiscal year; or

- The percent of housing choice voucher families with children who moved to low-poverty census tracts in the PHA's area over the last two completed PHA fiscal years is at least two percentage points higher than the percent of all housing choice voucher families with children who resided in low-poverty census tracts at the end of the second to last completed PHA fiscal year.

2.4 OUTREACH TO OWNERS

There are a variety of techniques PHAs have successfully used to reach owners with units outside areas of high poverty or minority concentration. Some of these techniques are listed below. Each PHA must select the approaches it believes will be effective in its area and then test their effectiveness.

- *Periodic seminars or meetings with current and prospective owners explaining and updating the program*. Some PHAs that conduct such seminars dedicate at least a portion of the time to a specific topic announced in advance. PHA staff, program participants, community resource persons, and program owners may make presentations.

- *Owners' newsletters*. Newsletters are typically aimed at current program owners, but they can also be used to encourage other owners to participate by showing how they will be kept informed about program changes.

- *Owner's surveys*. Some PHAs conduct annual surveys of all or a sample of owners to identify how they view overall program administration as well as selected program aspects . This enables the PHA to show how owners' views change over time, and to identify the issues that are being addressed to improve program operations based upon the results of the survey. Being able to show prospective owners' survey results from current owners can be

very helpful. If the survey results are not entirely complimentary, the PHA can describe its efforts to improve performance in those areas.

- *Owner advisory committee*. Some PHAs establish an owner advisory committee whose members become very knowledgeable about the program. The PHAs will seek their opinions on how to improve performance in order to retain current owners and recruit new ones. Some PHAs ask owner advisory members to intervene when there are staff and owner communication issues. Others have a representative of local owner associations on their advisory committees or even on their board of commissioners.

- *Join associations of owners/managers of rental property*. These associations provide the opportunity for regular contact and the establishment of personal relationships that can help in owner recruitment and in resolving disputes.

- *Staff speaker's bureau*. Many PHAs advertise the availability of a guest speaker for meetings of local community groups. Frequently, owners, including smaller owners who may be harder for PHAs to reach, belong to such civic groups. These owners are often community leaders and the PHA benefits from these owners understanding the program and fostering a personal relationship with PHA staff.

- *Owner fairs.* A number of PHAs have had great success with an annual or bi-annual owner fair. They invite owners and provide an opportunity to learn more about housing choice vouchers and related programs. For example, a police officer may describe owner access to criminal records for screening. Presenters from other groups identify local services to which owners might refer families needing assistance. Fairs provide an opportunity for owners to meet staff and have their questions answered in a positive environment.

- *Program video*. Several PHAs have developed housing choice voucher program videos that inform and recruit owners, including videos providing explanations of the program or training videos for families that demonstrate that the PHA prepares participants to be good tenants.

- *Direct advertising*. Often, PHAs advertise directly to owners via mail, posters, newspaper ads, and public service radio and television announcements. These can be effective in eliciting calls from prospective owners.

- *Positive news stories about the program*. Positive stories about the program and participating families or owners can be a very effective means of recruiting new owners. They can also help in retaining current owner participation in the program.

- *Direct personal contact with owners*. Many PHAs attempt to meet one on one with the larger owners and management companies of affordable units outside areas of poverty or minority concentration. Some PHAs also review advertisements by smaller owners and call them to educate them and recruit their participation in the program.

- *Referrals of vacant units*. Some PHAs have been successful in recruiting owners by offering immediate referrals of program families searching for units if the owners will list their units with the PHA. For smaller owners, this is particularly attractive because it allows them to reduce their advertising costs when unit turnover occurs.

- *Promise of follow-up*. Owners may be encouraged to participate if they know there will be appropriate follow-up with the tenant and owner should an issue arise between them. Owners see this as a valuable service and may overcome their initial concerns about the program.

- *Prompt program information for prospective owners.* PHAs can let housing choice voucher holders know that if, during their housing search, they encounter an owner who is not knowledgeable about the program, they or the owner can call a specific staff person who will immediately provide additional program information. The information provided may be a program brochure, but it should also include a follow-up call.

The best way to recruit new owners is to operate the housing choice voucher program effectively and treat owners professionally. This includes minimizing the time required to inspect units and to start HAP payments, applying program rules consistently, being timely and predictable in all program processing, maintaining effective and prompt communications with owners (e.g., returning calls quickly, identifying a single point of contact), and making payments accurately and on time.

2.5 PROVIDE INFORMATION ON NEIGHBORHOODS TO FAMILIES

PHAs can use HUD 2020 computer software or maps from the local planning department or other local government sources to develop maps for the briefing and information packet. These maps should distinguish areas of high and low poverty and minority concentration within the PHA's jurisdiction and neighboring jurisdictions.

HUD 2020 software enables PHAs to identify the location of other assisted housing (e.g., public housing, project-based Section 8) and contains other databases that help describe the community. A PHA may combine HUD 2020 with other databases, that can then plot addresses on maps produced by this software. PHAs can also use this software to show where housing choice voucher program participants are currently living, as well as where they moved from and to under the program. For information on HUD 2020 software, see HUD's website at www.hud.gov.

Some PHAs develop more detailed profiles of each neighborhood or area within their jurisdiction. A sample neighborhood map is provided in Exhibit 2-1. These profiles typically include information on population demographics, types of housing, rent levels, schools, shopping, and employment to better introduce a housing choice voucher holder to the neighborhood and what it has to offer. These are sometimes included in the information packet and may be reviewed as part of the briefing. Other PHAs make these maps and other materials available to housing searchers in an office resource area. Some PHAs make a computer terminal

available with access to websites with rental listings and a database that provides neighborhood summaries .

2.6 BRIEFINGS FOR PROGRAM APPLICANTS

PHA briefings for new applicants must include discussions and materials which educate families about and encourage them to take advantage of expanded housing opportunities. These discussions must include an explanation of where the family may lease a unit inside or outside the PHA jurisdiction. PHAs must explain portability to families eligible to use portability to initially lease outside the PHA jurisdiction. (See Chapter 13 for information on portability.) PHAs may not discourage participants from living anywhere in the PHA's jurisdiction, or outside the jurisdiction under portability. If the family currently lives in a high-poverty census tract in the PHA's jurisdiction, the briefing must also explain the advantages of moving to an area that does not have a high-poverty concentration.

Advantages that may appeal to families willing to consider moving to a lower-poverty neighborhood include:

- Increased safety in lower-crime neighborhoods;
- Relocation from drug-trafficking areas;
- Improved schools for children;
- Proximity to jobs or job opportunities;
- Better-quality housing; and
- More responsive owners.

PHAs may wish to provide case studies of families who have successfully moved to new neighborhoods, including a description of the experience (good and bad) and its benefits. Some PHAs request families who have made mobility moves to volunteer to appear in person or on video tape to describe their experiences. These real-life stories can help families who are considering such a move to set reasonable expectations.

Some PHAs conduct participant surveys to determine participant satisfaction with the housing choice voucher program and their neighborhoods. PHAs use this as a means of encouraging families to consider mobility moves, and of providing a realistic description of the benefits and drawbacks of moving to a new neighborhood to prospective movers.

The briefing presentation should provide information about the costs of moving (e.g., security deposits, actual moving costs) and of obtaining transportation, day care, and other services in new neighborhoods. This discussion should also cover any services or funding that the PHA or another agency can provide to make the move successful.

Many PHAs conduct special briefings for participants who indicate an interest or an intent to move to a new unit. These briefings should include information on opportunities outside areas of poverty or minority concentration, and should provide a review of portability, since most participant families who wish to move are eligible to move under portability. PHAs that have had experiences with mobility programs have found that families already participating in the

program are often more willing and better prepared to consider making a move from a high-poverty to a low-poverty area than new applicants.

2.7 INFORMATION PACKETS

PHAs are required to give all new housing choice voucher holders an information packet. PHAs typically provide these packets at the time of briefing. Most PHAs review the package with participants so that they are aware of its contents and the purpose of each item.

The packet requirements related to expanding opportunities in housing are the following:

- List of owners or other organizations willing to participate in the program. This may include lists of units currently available.

- A written description of how portability works, including the steps the family should take if it decides to use portability. This should also include a list of contacts at neighboring PHAs.

- Notice that an applicant with a family member with disabilities who needs an accessible unit may request that the PHA provide any information it has about the existence and availability of such units.

- Other items that the PHA might choose to include are:

  - Neighborhood profiles and maps of low-poverty neighborhoods with affordable rental housing.

  - Maps showing the jurisdiction of the PHA and neighboring PHAs and indicating where the family may lease a unit. There should also be maps identifying areas of poverty and minority concentration.

  - Information on owner practices that may exist in higher cost neighborhoods (e.g., more screening, higher security deposits).

  - Descriptions of other services that the PHA or other agencies provide to assist in the search for and successful leasing of a unit. This might include a description of a resource area or room at the PHA where more detailed information is available. It might also include information about a local organization that assists families in finding affordable housing or in preparing very low-income families for the success in leasing.

  - Information on public transportation routes and costs and of any special programs available designed to assist very low-income families with their transportation challenges.

2.8 PORTABILITY AND AREA MOBILITY PLANS

PHAs are required to provide both oral and written information to applicants who are eligible for portability. These materials must explain how portability works and also must not discourage eligible families from taking advantage of portability.

There are also a number of steps that PHAs can take to make portability work more efficiently for the families and for themselves. These include the following:

- Provide a list of contact persons for portability at all area PHAs. To avoid running out of housing search time, describe when such contacts must be made.
- Commit to providing portability information in a timely manner.
- Work with other PHAs to assure timely notifications among PHAs of portability-related events including the initial request for portability, and notification when the portable family has contacted the receiving PHA. This also includes timely notification by a receiving PHA of whether it will absorb or administer on behalf of the initial PHA, timely transfer of leasing information needed to set up payments, timely payments, and timely transmission of reexamination, reinspection and termination data.
- A PHA should consider absorbing families moving into its jurisdiction (if it is able) to avoid portability processing. Absorbing families is particularly important if a PHA is not using all of its available housing choice vouchers. At the very least, two PHAs administering units on behalf of one another should mutually agree to absorb an equal number of families.

PHAs may wish to consider more innovative ways to reduce portability obstacles. Rather than invoking portability, some groups of PHAs have agreed (consistent with state law) to administer their own vouchers for families moving into other PHAs' jurisdictions. Participating PHAs enter into a cooperative agreement setting forth the agreed-upon procedures. To avoid differences in the application of HQS and rent reasonableness, the cooperating PHAs agree that the resident PHA will conduct inspections and rent reasonableness for all participants moving to its area. Participating PHAs keep track of the number of inspections and rent reasonableness determinations and pay a fee for any units in excess of those conducted by another PHA for it. For example, there might be a fee of $50 per unit for all rent reasonableness and inspection activity. PHAs who make these arrangements would avoid formal portability processing among themselves.

Where such arrangements are not possible, opportunity moves can be easier for families when PHAs in the same market area, and particularly those with overlapping jurisdictions, attempt through policy and practice to administer the program as consistently as possible. This includes:

- Establishing compatible payment standards.
- Cooperating on requests for exception payment standards.
- Applying the same criteria to determine family unit size.

- Applying the same minimum subsidy standards.
- Applying the same practices for lease effective dates, timing of initial inspections, and start-up of initial payments.
- Developing and applying consistent screening policies and practices.
- Conducting joint HQS training sessions to help increase consistency of inspections.
- For PHAs with overlapping jurisdictions, contributing to a shared rent reasonable database and using similar procedures for determining and documenting rent reasonableness.
- For portability cases, establishing a shared set of expectations about the documents which will be transmitted between PHAs. This might include agreement to share more than the minimum information required by HUD.

Many PHAs feel that they must compete with their neighbors, but the greater the differences between PHAs in the same market area, the more difficult it is for the program participants and owners.

2.9 ADDITIONAL SERVICES FOR HOUSING CHOICE VOUCHER HOLDERS TO PROMOTE OPPORTUNITY MOVES

PHAs should consider providing additional services or referring housing choice voucher holders to other service providers to increase their success rate in finding and leasing units outside areas of poverty and minority concentration. This may be particularly important to PHAs in tight rental markets where it is difficult to achieve or maintain full lease-up. It is also important where patterns of concentration of poverty or minority populations are occurring in the operation of the housing choice voucher program.

There are a variety of activities that PHAs have used to help families find and secure housing outside areas of concentration of poverty and minority populations. Each PHA will have to determine the most cost-effective approach for participants in its jurisdiction.

Some examples of ways to assist in housing search include:

- Neighborhood tours;
- Transportation assistance (driving tour, taxi, or bus passes);
- Initial calls to owners (made by the PHA);
- Going with the family to meet the owner and see the unit; and

- Conducting pre-inspections in low-poverty areas as an incentive for owners to increase their participation.

Examples of ways to help families compete for and retain housing outside areas of poverty and minority concentration include:

- Referrals for credit and leasing history counseling;

- Referrals to sources of financial assistance (grants or loans) for the move: security deposits, application fees, utility deposits, moving expenses;

- Referrals to other counseling needed by the family: employment, training and educational opportunities, drug abuse, domestic violence;

- Training programs for housing choice voucher families on tenant-owner relations, upkeep of the unit, and how to be a good tenant. Some PHAs have had success in using such programs, including certificates that families have completed training, as a marketing tool in attracting new owners;

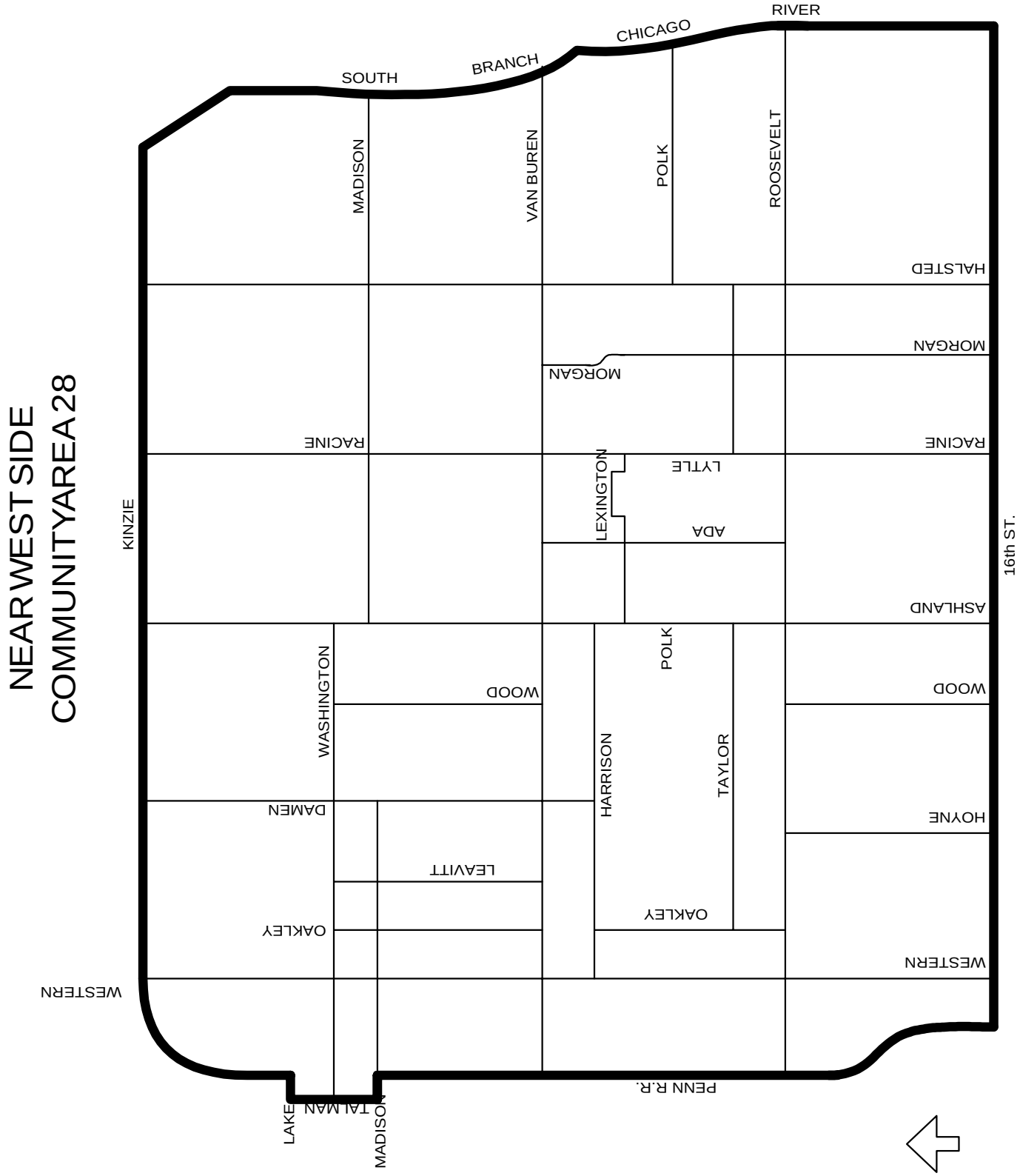
- Help in negotiating the rent and conducting a housing choice voucher holder-owner meeting to be sure that both parties have a common set of expectations about the relationship; and

- Quick follow-up (some PHAs offer 24 hour access) if there are issues between the owner and tenant that cannot be easily resolved. This promise of fast intervention is a major attraction to many owners. It helps them place a lower level of risk on leasing to a program family and may even provide an advantage over leasing to an unassisted family.

Many PHAs do not feel that they have the resources to develop their own in-depth counseling programs. Some of the activities mentioned above, however, are not overly expensive, and more costly services may be available to housing choice voucher families through other programs. For example, many PHAs have been able to work with local TANF offices to effectively use programs financed with TANF surplus funds to provide services that help TANF families succeed and not return to the welfare roles.

PHAs with concentrations of housing choice voucher families and PHAs with very tight and competitive housing markets may find that additional expenditures in services are cost-effective in improving community relations and program success rates, as well as providing new opportunities for participant families.

EXHIBIT 2-1

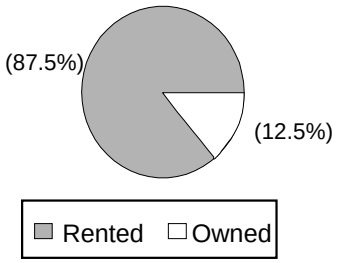

NEAR WEST SIDE
COMMUNITY AREA 28
KINZIE
WESTERN
LAKE
TALMAN
MADISON
SOUTH
BRANCH
CHICAGO
RIVER
PENN R.R.
16th ST.
MADISON
VAN BUREN
POLK
ROOSEVELT
HALSTED
MORGAN
MORGAN
RACINE
RACINE
LEXINGTON
LYTLE
ADA
ASHLAND
WASHINGTON
WOOD
WOOD
POLK
HARRISON
TAYLOR
DAMEN
HOYNE
LEAVITT
OAKLEY
OAKLEY
WESTERN

NEAR WEST SIDE

EXHIBIT 2-1
(CONTINUED)

Community Area 2L

Rental Housing Units**
(As % of total occupied units)

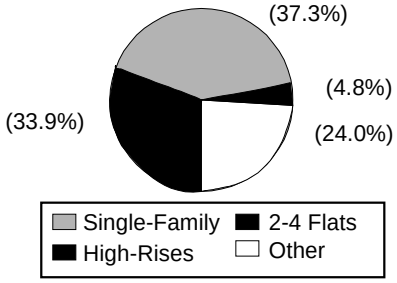


Population Characteristics**	
Population	**46,197**
Households	**16,473**
Avg. Household Size	**2.80**
1996 Est. Median Hshld. Income	**$11,978**
% Below Poverty	**55%**

Median Rents	
One-Bedroom Unit	**$604**
Two-Bedroom Unit	**$658**
Three-Bedroom Unit	**$794**

Racial/Ethnic Distribution**		
White	10,332	22%
African American	31,052	67%
Native American or Alaskan	109	0%
Asian or Pacific Islander	2,383	5%
Other	2,321	5%
Hispanic	4,292	9%

Type of Buildings**



Occupations of Households**	
Management & Professional	32%
Technical, Sales, & Administration	34%
Service Occupations	18%
Operators & Laborers	12%
Other	6%

Transportation	
Train Service	El Blue Line - Numerous stops Metra: BN
Bus Service	16, 23 (131), 19, 126, 7, 12, 37, 49, 50, 60, 9, 8
High-ways	Major: Eisenhower, Kennedy, Dan Ryan Expressways

Summary

Chicago's Near West Side is a highly diverse community area that includes the western sections of the central business district and its highrise housing, the Greek Town restaurant area, the residential and office lofts of the Westgate Mill area, the University of Illinois campus and surrounding revitalized neighborhoods, the historic Jackson Boulevard residential area, the revitalized area near Taylor and Leavitz streets, and the area surrounding the new Chicago Stadium.

The Near West Side is easily accessible via the Kennedy and the Eisenhower expressways, as well as by the O'Hare-Congress-Douglas (Blue Line) and the Lake-Dan growing middle- and upper-income population. It is relatively lacking in convenient shopping, especially for grocery and related items. However, the historic Taylor Street area offers several restaurants and small shops.

Nearly nine-tenths of this large area's housing is renter occupied. A large percentage of this is in federally subsidized housing including public housing, and in downtown highrises such as Presidential Towers. Some rental housing is also available in the small apartment buildings and two- to four-unit buildings in the Taylor Street and University Village areas.

Just over half of the Near West Side's population is African American and nearly one-fourth is white. Hispanic's comprise less than 10 percent of the area's residents.

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CHAPTER 3
PROGRAM PLANS

3.1 CHAPTER OVERVIEW

This chapter addresses the two policy and planning documents related to the housing choice voucher program that each PHA is required to develop and maintain: the housing choice voucher program administrative plan and the PHA plan.

The PHA must adopt a written administrative plan that establishes local policies for program administration. The plan must conform with HUD regulations and state the PHA's policy in those areas where the PHA has discretion to establish local policy. The plan is a formal document which communicates to all interested parties the policy choices the local agency has made where federal regulations or law does not direct the PHA's actions or decisions. The PHA is responsible to insure that the plan is kept up to date and that staff operate under the policies spelled out in the plan.

The PHA plan is a requirement initiated by the Public Housing Reform Act of 1998. The PHA plan must articulate the PHA's mission statement and spell out the agency's long-term and short-term plans consistent with the mission statement. While the majority of information in the PHA plan relates to operation of the PHA's public housing program, the PHA plan does require information on the housing needs of housing choice voucher program applicants, the resources the local housing choice voucher program brings to meet those needs, and the policies, rules, and standards that govern program participation and management. The PHA will include pertinent portions of the administrative plan in its PHA plan to cover requirements for information on policies, rules and standards. The PHA must include housing choice voucher program and public housing residents, if the PHA operates public housing, in plan development and must reflect residents' input in the final plan.

3.2 HOUSING CHOICE VOUCHER PROGRAM ADMINISTRATIVE PLAN

A PHA's administrative plan must describe the policies the PHA has adopted in each area where the PHA has discretion. Voucher program regulations specify the policy areas that must be covered in the administrative plan. From time to time, HUD amends these regulations and adds new administrative plan requirements. The PHA is responsible for updating its administrative plan to include these additional elements as required. The PHA must also revise its plan whenever local circumstances require a policy change.

The Housing Authority Board of Commissioners or other governing body must formally adopt the administrative plan and any revisions. The administrative plan becomes the PHA's "official" policy when it is approved by the Board. HUD must receive a copy of the plan, and may require changes if the policies adopted are inconsistent with program regulation requirements. However, HUD approval of the administrative plan is not required prior to its implementation.

Because changes to the administrative plan require formal approval by the Board of Commissioners or other governing body, including HUD regulations in areas where the PHA has no discretion is not advised. The administrative plan should address only those policies areas in which the PHA has discretion. Program regulations and the PHA's operating procedures for complying with those regulations can be addressed in a separate procedures manual that can be updated more easily.

The PHA's administrative plan must address the following areas:

- *Selection of applicants from the waiting list:* The administrative plan must state how the PHA will select housing choice voucher applicants from the waiting list. It must include any preferences the PHA intends to use, any weights or rankings assigned to those preferences, and the method, such as date and time of application, or a drawing or other random choice technique that will be used to select among applicants. This plan must describe the procedures for opening and closing the waiting list and the circumstances under which applicants will be removed from the waiting list.

- *Issuing or denying vouchers:* The administrative plan must describe the PHA's policies regarding the issuance or denial of vouchers, and its policies governing the extension or suspension of the voucher term. For example, some PHAs routinely provide a voucher term of 180 days for families relocating from public housing. "Suspension" means stopping the clock on the term of the family's voucher after the family submits a request for tenancy approval. The policies must specify the circumstances under which additional time will be allowed and how the PHA will determine the length of any extension or suspension.

- *Denial or termination of assistance:* The administrative plan must also detail any PHA policies for denying or terminating assistance in the areas where the PHA has discretion. Chapter 5 describes the situations in which the PHA may elect to deny assistance. Chapter 15 identifies where the PHA has discretion in terminating assistance.

- *Special provisions for the use of targeted vouchers:* The administrative plan must describe any special rules that will be used in the administration of HUD funding targeted for special purposes or specific categories of applicants. The administrative plan must describe who is qualified and how families will be selected for the targeted vouchers. For example, PHAs with Welfare to Work vouchers must describe the selection criteria and procedures for obtaining the special vouchers. Generally, when HUD awards special voucher funding, HUD will specify whether turnover vouchers supported by the funding must continue to address the special purpose and assist the identified category of families or whether the turnover targeted vouchers may be used for the PHA's regular waiting list. The administrative plan must clearly describe how applicants will be selected when turnover vouchers become available.

- *Occupancy policies:* Each PHA must adopt a definition to describe what groups of persons may qualify as a "family." HUD provides guidelines (see Chapter 5) but each PHA has discretion within those guidelines.

Each PHA must also adopt a definition of when a family is considered to be "continuously assisted" under the 1937 Housing Act. This is important because families with incomes above the very low-income level who would otherwise be ineligible for assistance may be eligible if they have been "continuously assisted" in a low-income federal housing program. The PHA's administrative plan must define the instances when the family may be considered to be "continuously assisted" despite a break between occupancy in one program and the next. Chapter 5 describes the instances in which a low-income family determined to be continuously assisted based on the PHA's policy will be eligible to receive a housing choice voucher.

EXAMPLE OF A "CONTINUOUSLY ASSISTED" FAMILY

If a low-income public housing resident who was to be relocated using housing choice voucher program assistance under the housing choice voucher program moves temporarily to a shelter because of domestic abuse, the family could be deemed over-income and therefore ineligible when it was ready to be issued a housing choice voucher. However, the PHA's policy may include temporary residence in a shelter in its definition of "continuously assisted" and the family would be eligible to receive the voucher despite its income.

- *Encouraging owners outside areas of poverty or minority concentration:* The administrative plan must describe the PHA's policies and procedures for conducting outreach to owners of units outside areas of poverty and minority concentration. The procedures should describe the process by which the PHA will identify "opportunity" areas with an adequate supply of rental housing affordable to housing choice voucher program participants.

- *Assistance to families that include persons with disabilities:* Efforts families may expect the PHA to make on behalf of families with members who need accessible housing or other reasonable accommodations must be described in the administrative plan. HUD requires that the PHA provide such families with information about accessible units on the market and make reasonable accommodations in adjusting the search time and payment standard. The administrative plan must describe any additional efforts the PHA will make to assist the family in locating appropriate housing.

- *Assistance to be provided to applicants and participants claiming illegal discrimination:* The PHA's administrative plan must describe its policies for assisting families that claim illegal discrimination has prevented them from leasing a suitable unit. These policies might include elements such as an extension of the family's search time, or the provision of housing search assistance. At a minimum, the PHA must give the family information on how to complete and file a housing discrimination complaint.

- *Tenant screening:* Although it is the owner's responsibility to screen potential tenants for previous patterns of behavior that could be detrimental to the owner's property or other residents, the PHA may opt to screen applicants for family behavior or suitability for

tenancy. If the PHA adopts a policy of conducting applicant screening, the administrative plan must describe precisely what activities the PHA will undertake and how the PHA will use the information.

- *Information to be provided to prospective owners:* The PHA is required to give all prospective owners a family's current and prior addresses and the names and addresses of owners at the family's current and prior addresses. In addition, the PHA has discretion to establish a policy to provide additional information that may be in the PHA's possession. That information might include information about the tenancy history of family members such as their rent paying history, drug trafficking, or criminal activity by family members. The policy must be described clearly in the administrative plan, must be included in the PHA's briefing packet, and must be given to all participating families. The policy must provide that the PHA will give the same types of information to all families and to all owners. (See Chapter 8.)

- *PHA policies denying owner participation in the program:* A property owner does not have a right to participate in the housing choice voucher program. The PHA may adopt a policy of refusing to contract with owners in specific cases as described in Chapter 8.

  If the PHA opts to disapprove some owners, it must formally adopt a policy describing when owners may be disapproved and include that policy in the administrative plan. A PHA's owner disapproval policy may apply only at the time a family initially receives a voucher for occupancy of a particular unit. PHAs may not require program participants living in properties owned by such owners to move, but could refuse to enter into new HAP contracts or tenancy addenda for those families if new leases or lease revisions revisions are required.

- *PHA subsidy standards:* The PHA must establish subsidy standards for determining the number of bedrooms needed for families of different sizes and compositions. The administrative plan must describe the standards that will be used, and when exceptions to the PHA's established subsidy standards may be granted. (See Chapter 5.)

- *Length of time a family may be absent from the dwelling unit:* A family may be absent from the unit for brief periods. The PHA's administrative plan establishes how long a family may be absent from the assisted unit before assistance is terminated. The administrative plan must state the method that the PHA uses to determine whether, or when, the family may be absent, and for how long. The PHA may set its policy on the length of absence permitted for any period of time up to the maximum 180 days permitted by HUD. The policy must also establish any provision for readmission or resumption of assistance after an absence. Absence means that no member of the family shown on the lease is residing in the unit.

- *Eligibility in case of a family dissolution*: The PHA has discretion to determine which members of an assisted family continue to receive housing assistance if the family breaks up. The administrative plan must describe these policies. Some factors to be considered in establishing the policy are the interest of minor children or elderly or disabled persons, or the role played by domestic abuse or criminal activity in the break-up of the family, or whether the assistance should remain with family members remaining in the assisted unit.

- *Informal review procedures:* The administrative plan must describe the PHA's procedures for conducting an informal review for applicants (See Chapter 16).

- *Informal hearing procedures:* The administrative plan must describe the PHA's procedures for conducting an informal hearing for participants (See Chapter 16).

- *Procedures for setting and revising payment standards:* The PHA may establish the payment standard amount from 90 to 110 percent of the published FMR for each unit size. The administrative plan must describe the procedures for setting and revising the payment standard amounts. The PHA must also identify any exception payment standard amounts approved by HUD.

- *Method for determining rent reasonableness:* The administrative plan must describe in detail the process that the PHA will use to determine and document that rents charged for units assisted under the housing choice voucher program are reasonable. The plan should describe how the determination will be made at the beginning of the lease, when the rent increases, and if HUD lowers the FMR by five percent, and what steps will be taken if the PHA determines that the rent requested is not reasonable. Chapter 9 describes in detail the requirements the PHA's rent reasonableness policy must satisfy.

- *Policies on the use of special housing types:* The PHA has the option to approve or not approve a variety of special housing types in its housing choice voucher program. These include homeownership, single room occupancy (SRO) housing, congregate housing, shared housing, group homes, cooperative housing, and space rentals for manufactured housing/mobile homes owned by the family. The administrative plan must identify special housing types that are approved for use in the program. (Note that the PHA must allow the use of special housing types if needed as a reasonable accommodation for families that include a person with disabilities.)

- *Policies on payment of monies owed by a family to the PHA:* For families that owe money to the PHA, the administrative plan must state the PHA's policies for determining the amounts to be paid and the payment intervals. The policy should also state what actions, including termination or denial of assistance, may be taken against families who fail to make required payments. If the PHA permits families to sign repayment agreements, the administrative plan must describe the PHA's policy including what steps will be taken if the family fails to live up to its agreement.

- *Interim Reexaminations of income and household composition:* The administrative plan must state under what circumstances, if any, the family must report a change in family income or allowances between annual reexaminations and under what circumstances the PHA will change the tenant rent or TTP as a result of an interim change. Chapter 12 describes the PHA's policy choices and the rules related to interim changes in income, rent, and household composition.

- *Minimum rent:* The administrative plan must state the minimum rent payable by a family, the circumstances under which a family may request a hardship exemption, and the procedures a family must follow to request an exemption.

- *Family moves:* The PHA may prohibit more than one move by a participating family during any 12-month period, by including the policy in the administrative plan.

- *Administrative fee reserves:* The administrative plan must state PHA employees authorized to approve the use of funds in the administrative fee reserve, and the maximum amount that may be charged against the administrative fee reserve without specific approval by the PHA Board of Commissioners or other authorized officials.

- *Guidelines and standards for HQS inspections:* The administrative plan must describe procedural guidelines and performance standards the PHA will use for conducting HQS inspections.

The housing choice voucher program administrative plan is a supporting document to the PHA plan, and must be made available for public review.

3.3 PHA PLAN

The Public Housing Reform Act of 1998 requires PHAs to periodically undertake a comprehensive planning process that addresses all aspects of their operation. The PHA is required to develop a plan for the agency in consultation with its housing choice voucher program participants and its public housing residents, if the PHA administers public housing, and to offer the broader community the opportunity for review and comment. The product of these activities is the PHA plan that is submitted to HUD prior to the beginning of each PHA fiscal year. The PHA plan also includes related planning and policy documents that are made available to the public on an ongoing basis.

The PHA plan consists of two documents:

- A *Five-Year* Plan that describes the mission of the PHA, its long term goals, and quantifiable objectives for achieving the mission, and

- An *Annual Plan* that provides details about the PHA's participants, programs and services, and its strategy for addressing operational concerns, residents' needs, programs, and services for the upcoming fiscal year.

Submission of the PHA Plan

The actual submission to HUD is made electronically, in the form of responses entered into a comprehensive "question and answer" template. The template is available on the HUD website at www.hud.gov/pih/pha/plans/phaps-home.html.

The PHA plan is submitted to HUD 75 days before the start of each PHA fiscal year. Prior to submitting the plan to HUD, the PHA must conduct a public hearing to discuss the plan and invite public comment. The PHA must publish a notice of the availability of the plan and the details of the public hearing no later than 45 days before the hearing.

PHAs that have *housing choice voucher programs only*, as well as high-performing PHAs and PHAs that operate 250 or fewer public housing units, may submit a streamlined PHA Annual Plan. The items required in the streamlined PHA plan are listed in the instructions that accompany the PHA plan template.

The Five-Year Plan

The PHAs five year plan states the PHA's mission for serving the needs of low-income, very low-income, and extremely low-income families in the PHA's jurisdiction, and lists the goals and objectives which will be used to measure the agency's success in fulfilling the mission.

The Annual Plan

PHAs administering the housing choice voucher program must provide responses for the following elements of the PHA annual plan. These are the only required elements of the annual plan. Where the information requested is contained in the PHA's administrative plan, the PHA may refer to the administrative plan which must be attached to the annual plan.

- *Statement of housing needs:* The PHA is required to provide data regarding the housing needs of families on the housing choice voucher program waiting list. The PHA is required to identify strategies for addressing these needs.

- *Statement of financial resources:* This is a listing of all of the PHA's resources, including HUD's annual contributions for assistance under the housing choice voucher program. Proposed uses are required for non-categorical funds, unobligated funds from prior years, and income from other federal and non-federal sources.

- *Statement of the PHA's policies that govern eligibility, selection, admissions:* This section of the plan requires the PHA to answer questions describing its policies related to applicant screening, the organization of the housing choice voucher program waiting lists, selection preferences, extensions of search time for housing choice voucher holders, and eligibility for and admission to special-purpose (targeted) programs administered by the PHA.

- *PHA's rent determination policies:* The PHA is required to describe its voucher payment standards and policies, and its policies on minimum rent.

- *Statement of the PHA's operation and management:* In this section, the PHA describes its management structure and lists the HUD programs including housing choice vouchers, certificates, moderate rehabilitation units, and targeted programs administered by the PHA. The PHA is also required to list policy documents, manuals, and handbooks governing the management of the housing choice voucher program.

- *Statement of the PHA's procedures for informal reviews and hearings:* This section requires the PHA to list any informal review and hearing procedures that go beyond federal requirements. The PHA is also required to identify the office that applicants and participants who wish to request applicant reviews or participant hearings should contact.

- *Homeownership programs administered by the PHA:* This section requires the PHA to describe all homeownership programs proposed or administered by the PHA, including, if appropriate, the housing choice voucher program homeownership option. The description of the housing choice voucher program homeownership option must include the PHA's limits, if any, on the number of participants, and the eligibility criteria, if any, that exceeds federal requirements.

- *Statement of the PHA's community services and self-sufficiency programs:* This section of the PHA plan requires the PHA to describe self-sufficiency policies (such as selection preferences for certain public housing families, or preferences for participation in the homeownership option) or programs provided by the PHA, including any offered by the PHA in partnership with other agencies. If the PHA has as an FSS obligation, the required and actual numbers of FSS participants must be reported. If the PHA has not met its minimum program size requirements, the FSS Action Plan must be amended to address the steps that the PHA will take to reach the minimum program size. There is no community service requirement for participants in the housing choice voucher program.

- *Civil rights certification:* The agency must certify that the PHA plan (Five Year and Annual Plan) furthers fair housing and conforms with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, and Title II of the Americans with Disabilities Act of 1990. The PHA must also certify that it will affirmatively advance fair housing opportunity. Generally, a PHA will be in compliance with the certification if it has examined its programs, identified any impediments to fair housing choice, addressed those impediments in a reasonable fashion, worked with local jurisdictions to implement other local initiatives, and maintained records reflecting these actions.

- *Results of the PHA's annual audit:* In this section, the agency is required to answer questions regarding the annual audit, and to explain any unresolved findings for the most recent fiscal year audit.

Resident Advisory Board

PHAs, including PHAs that operate only the housing choice voucher program, must establish one or more resident advisory boards to participate in the development of the PHA plan. The resident advisory board, whether newly formed or previously existing, must assist the PHA in the development of the PHA plan and make recommendations in the development of the plan. The PHA must consider the comments and recommendations of the resident advisory board in preparing the final PHA annual plan.

If the PHA has a housing choice voucher program, the PHA must ensure that the resident advisory board has a reasonable representation of families receiving assistance under the housing choice voucher program, and that a reasonable process is undertaken to choose this representation. Where resident councils do not exist that would adequately reflect and represent the residents assisted by the PHA, the PHA may appoint additional resident advisory boards or board members. The PHA must provide reasonable notice to residents and urge that they form resident councils that comply with the tenant participation regulations.

3.4 RELATED SEMAP INDICATORS

Three SEMAP indicators measure the adequacy of the policies in the PHA's administrative plan and the PHA's performance in implementing those policies as written. These include:

- *Selection from waiting list:* All PHAs must have written policies for selecting applicants, and must follow these policies when taking applicants from the waiting list. The policies must be included in the administrative plan, and must be referenced in the PHA plan.

- *Reasonable rent:* PHAs must have and follow "reasonable written methods" for determining and documenting that rents for units assisted under the housing choice voucher program are reasonable. The procedures must provide for evaluations of rent reasonableness when units are leased, when owners request an increase in rents, and when the published FMR is decreased by more than five percent. These procedures must be made part of the administrative plan.

- *Expanding housing opportunities:* PHAs are required to adopt and implement policies encouraging participation by owners of units located outside areas of poverty and/or minority concentration. These policies must also be included in the administrative plan.

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CHAPTER 4
WAITING LIST AND TENANT SELECTION

4.1 CHAPTER OVERVIEW

The PHA is responsible for establishing an application and selection process that treats applicants fairly and consistently and provides an effective method for determining eligibility. Program regulations provide flexibility for each PHA to develop an application and selection process tailored to its particular circumstances. The design of these processes must result in consistent determinations as to which applicants should be placed on the waiting list, issued a voucher, or determined ineligible to participate in the program, and comply with HUD rules on non-discrimination.

Conducting outreach, as needed, and maintaining an up-to-date waiting list is an important PHA responsibility. An up-to-date and well-managed waiting list promotes fair and consistent treatment of families, ensures that needy families receive assistance as quickly as possible, and is a first step in helping the PHA maintain a high leasing rate.

The PHA's application and selection policies must be stated in the PHA's administrative plan. These policies should be reviewed periodically to ensure that they are current and effectively support the PHA's occupancy and leasing objectives.

4.2 OPENING THE WAITING LIST

Some PHAs always keep the housing choice voucher program waiting list open and accept applications at any time during the business day. Other PHAs only open the waiting list for brief application periods. Either approach may be acceptable. What is important is that the approach used results in a waiting list that has a sufficient number of eligible applicants to ensure that new and turnover vouchers are issued as quickly as possible to eligible applicants. At the same time, the waiting list should not be allowed to grow to such a size that the wait for housing is unreasonable. There is no magic formula for when to open the waiting list. The decision to open depends upon local needs and circumstances, such as the receipt of new increments, availability of a large number of previously issued vouchers, existence of an outdated or diminished waiting list, or the need to target special populations, such as persons with disabilities or family unification eligible families.

PHAs must affirmatively further fair housing opportunity. Before opening the waiting list, the PHA must advertise in a local newspaper of general circulation and also through minority media and other suitable means. A PHA's advertising or outreach plan must be included in the PHA administrative plan. The announcements must include information on the time and place of application taking. If the application period is limited, the announcement must provide clear information on the end of the application period. The public notice must also state any limitation on who may apply for the available slots in the program.

Fair Housing Requirements

All outreach, advertising and public notices announcing the opening or closing of a waiting list must include efforts to ensure that the information will reach those populations that are considered to be "least likely to apply" for assistance under the housing choice voucher program. Outreach must also include efforts to reach persons with disabilities. All advertising and outreach literature must include the equal housing opportunity logo and non-discrimination in the advertising message.

4.3 CONDUCTING OUTREACH TO FAMILIES

There are many approaches to informing the public about an upcoming application period. The goal of the outreach must be to make the information available to every eligible family. Basic outreach objectives include:

- Stimulate and sustain interest in the program; and
- Provide helpful information to potential participants.

The PHA may need to design special outreach efforts to notify those families who are least likely to apply, including persons with disabilities and minorities, of the availability of housing choice voucher assistance.

The comprehensiveness of a PHA's outreach strategy will depend upon its specific needs and circumstances. For example, a PHA starting a new housing choice voucher program would need to establish a comprehensive outreach strategy. PHAs with long waiting lists may only need to target outreach to a specific population group that would qualify for one of its local preferences. Other PHAs may conduct outreach only to a special population group to be housed using a specific type of funding.

PHAs conducting a comprehensive outreach effort should also analyze the housing market area to identify and determine the needs of the eligible population groups. This analysis will help the PHA focus its outreach efforts more effectively. Analyzing the market areas will provide a clear indication of relative need within the broad community. When a PHA is conducting comprehensive outreach, one objective should be to create a waiting list that represents the various groups within the community that are in need of housing. For example, if 20 percent of the eligible population in the community is made up of elderly families, but the elderly represent only five percent of the families on the waiting list, the PHA may want to target additional outreach activities to elderly families. Depending upon the number and type of population groups to be targeted in the outreach effort, the PHA may need to develop individual outreach strategies.

FAMILIES THAT MAY REQUIRE SPECIAL OUTREACH

- *Working poor*
- *Elderly*
- *Minority*
- *Persons with disabilities*
- *Non-English speaking persons*

Once the PHA has identified specific population groups for outreach, it should develop outreach materials. Outreach materials should provide easily understood and usable information that is expressed in simple and direct terms. They should not only explain the program, but they should highlight the benefits of participating in the program and the opportunities available to participants. The outreach materials should also include specific information on where, when and how to apply for the program and an explanation of application procedures. PHAs that are attempting to reach diverse population groups or special population groups may want to present the outreach material in a manner suitable for that group, taking into account special ethnic, cultural, and physical characteristics. For example, materials may need to be translated into another language.

The advertising budget available will also be a deciding factor in determining the PHA's approach to outreach. A tight budget should not limit, however, creative approaches to reaching eligible families.

OPENING THE WAITING LIST
ADVERTISING AND OUTREACH SUGGESTIONS

- Submit press release to local newspapers, including minority newspapers.
- Write and submit a human-interest story with photographs to a local newspaper.
- Distribute flyers or applications through schools, community agencies, welfare offices, employers, union offices, neighborhood groups, hospitals, commercial establishments (supermarkets, discount stores, laundromats), libraries, and churches.
- Print mail-in applications in local newspapers, including minority papers.
- Request community service announcements through local television and radio.
- Purchase advertising on subways and buses.
- Purchase advertising in local newspapers, including minority papers.
- Ask supportive service organizations to participate in the outreach effort.
- Solicit referrals from agencies working with families least likely to apply.
- Ask current participants to inform friends, family, and neighbors.

In addition to developing outreach materials, the PHA should maximize its use of any community resources available to assist in the outreach effort. Church groups, advocacy groups for the homeless, elderly or disabled, community service agencies, and employers are examples

of organizations that may have an interest in the same population groups targeted by the PHA. Developing partnerships, linkages, and networks with these groups will not only improve the outreach effort but will build a foundation for many other possible partnership opportunities that will benefit applicants and participants.

The PHA should adopt a written outreach strategy that clearly identifies objectives, the specific activities to support the objectives, and the staff responsible for implementation. The PHA should also establish internal procedures to monitor outreach efforts, particularly efforts to reach families identified as least likely to apply. Most importantly, the PHA must make efforts to analyze the effectiveness of each of its outreach efforts and to modify its strategy, as needed, in order to reach stated goals and objectives. The PHA should monitor the waiting list to determine that outreach efforts are reaching a cross section of the eligible population and to determine which outreach efforts are most successful. Other factors to monitor include whether outreach activities are reaching the targeted groups in a cost-effective way and whether the number of families applying because of the outreach can be served within a reasonable time period.

WAITING LIST MANAGEMENT

A large number of applicants on the housing choice voucher program waiting list is not necessarily a good measure of a successful outreach effort. It may be indicative, rather, of a PHA's lack of attention to properly maintaining and updating its waiting list.

EVALUATING OUTREACH TO FAMILIES

Establish a simple form, or incorporate language into the application form itself, to record how each applicant heard about the program. Include information to identify whether the applicant is included in the population identified as least likely to apply. This form can be used to help determine the cost effectiveness of each method as well as to show where outreach needs to be improved, dropped, or emphasized.

4.4 CLOSING THE WAITING LIST

A PHA should consider closing its waiting list when it has insufficient funds available to assist all applicants on the waiting list over a reasonable period of time. Although the PHA has the discretion to define what is "reasonable", it is recommended that the wait for assistance not be more than 12 to 24 months. A PHA may choose to close only a portion of its waiting list instead of the entire waiting list. For example, a PHA may continue to receive applications from families qualifying for a specific local preference category, i.e. homeless families, while closing its waiting list to all other groups.

BENEFITS OF CLOSING THE WAITING LIST

- *Eliminates unnecessary application processing costs.*
- *Staff can devote time to other important program activities.*
- *Prevents false hope among families that assistance will be available in near future.*

Before closing the waiting list, the PHA should consider whether the waiting list includes a sufficient number of extremely low-income families to satisfy the requirement that 75 percent of families admitted to the housing choice voucher program are extremely low-income. See Section 4.12 of this chapter for more information about income targeting requirements.

ITEMS TO CONSIDER BEFORE CLOSING WAITING LIST

- Are there enough applicants to account for contract turnovers and vouchers that are issued but do not result in a HAP contract?
- Does the PHA wish to continue to take applications from families that meet certain local preferences?
- Is there a sufficient number of extremely low-income families on the waiting list to satisfy income targeting requirements?
- How long is the average wait for the various categories of applicants (preference and non-preference) on the waiting list?

4.5 PURGING/UPDATING A WAITING LIST

Importance of Purging

The waiting list should be kept as up-to-date as possible in order to minimize the number of "no-shows" and ineligible determinations. Depending upon how quickly a PHA's waiting list turns over, information provided during the application process may become outdated. Factors that may require an applicant to update his or her application include: family move, change in income, change in family composition, change in welfare benefit, or change in circumstances affecting the applicant's preference status.

Purging the waiting list prevents delays in leasing activities. When a waiting list is out of date, it can be very difficult, if not impossible, to reach applicants selected from the waiting list. Once they are contacted, their applicant status has often changed such that they no longer meet the PHA's eligibility or selection criteria. If these delays occur regularly, they can result in a declining leasing rate. The primary goal in purging a waiting list is to obtain current information on interested applicants and to remove applicants no longer interested in participating in the program.

The administrative plan must state the PHA's policy on when applicant names may be removed from the waiting list. For example, some PHAs remove an applicant from the waiting list after the family fails to respond to the PHA's written invitation to attend an eligibility appointment. Other PHAs also remove the applicant's name if this written invitation is returned by the post office and marked "undeliverable".

Fair Housing Requirements

A PHA's decision to withdraw from the waiting list the name of an applicant family that includes a person with disabilities is subject to reasonable accommodation requirements. For example, if an applicant family demonstrates that it failed to respond to a PHA's request for information due to a family member's disability, the PHA must decide whether to reinstate the family on the waiting list as a reasonable accommodation for the disability.

When to Purge the Waiting List

When and how often a PHA should purge its waiting list and the extent of the purge depends upon a number of factors, including:

PURGING THE WAITING LIST: FACTORS TO CONSIDER

- *How quickly are you running through the list?*
- *How many families do you consider to achieve one positive eligibility determination?*
- *How many families are on your waiting list?*
- *What staff and funds are available for purging effort?*

- *How quickly the PHA is running through its waiting list?* For example, if a PHA is selecting applicants from its waiting list who applied for assistance within the last 12 months, it may not be cost-effective to purge the waiting list. PHAs that use the lottery approach for accepting applications, as described below in Section 4.8, may not need to purge their waiting lists if they limit the number of names to be drawn to a number which they can expect to select within a reasonable period, i.e. 12-24 months.

- *The average number of families that need to be considered to result in a positive eligibility determination*. If the number of families that need to be considered in order to identify a family who is eligible to participate is becoming larger than is typical for the PHA, the PHA may want to consider purging its waiting list to remove families who are no longer interested in participating or are no longer eligible to participate.

- *Length of the PHA's waiting list*. PHAs with long waiting lists may find that it is not cost-effective to purge the entire waiting list. Instead, these PHAs may decide to purge only enough applicants to enable the PHA to have current information only on those applicant families who are likely to reach the top of the waiting list in the next 12 months.

- *Staff and financial resources available to the PHA for this purpose*. Purging can require significant staff time and money, depending upon the extent of the purge. The PHA should analyze the effort required to complete a purge and plan the effort in a manner that completes the work without disrupting productivity in other areas. If staff is not available but the urgency to purge exists, the PHA may want to consider contracting out this function. The important fact to bear in mind is that purging the waiting list to maintain a list of active applicants is more cost-effective than risking decreased leasing rates because of an outdated list.

Procedures for Purging

> A good purging procedure is one that is both cost-effective and ensures fair/adequate notice to all applicants!

In general, PHAs should inform applicants of their responsibility to notify the PHA immediately of any changes affecting (1) their eligibility status or (2) the PHA's ability to locate the applicant. The PHA's policy regarding notification of changes in applicant status should be included in its administrative plan and explained both orally and in writing to applicants during the application process. Depending on the size of the waiting list, the PHA may want to consider making such notification a condition of maintaining an applicant's place on the waiting list.

PHAs may also establish a policy of removing applicants who do not respond to the PHA's request for information or updates. This policy must also be described in the PHA's administrative plan. Procedures for purging the waiting list vary from PHA to PHA. A description of one such procedure, which can be modified to fit an individual PHA's staffing arrangement, financial resources, and overall administrative procedures follows:

HUD rules do not describe specific procedures to purge a waiting list. However a purge typically begins with a standardized mailing to waiting list applicants, requiring a verification of continued interest. Applicants must complete a new preliminary application providing all information needed for placement on the waiting list, such as address and phone number, household composition, income, type of preference claimed and minority designation of the head of household. The update request should provide a deadline by which the application must be returned, and clearly explain what will happen if the application is not received by the deadline date.

If no response is received by the deadline, the applicant is removed from the waiting list. The removal should be carefully documented to prevent any disputes. For example, the original letter should be attached to the file with a note to the file indicating the date and reason for removing the applicant from the waiting list. If the letter is returned because the addressee could not be located, the returned letter should also be filed.

SAMPLE PROCEDURE FOR UPDATING THE WAITING LIST

- Send a notice by first class mail.
- For each notice returned marked "Addressee Unknown", close the application, attach the returned notice and envelope, and file and maintain for three years.
- For each application for which there has been no response and no returned notice, send a second notice by certified mail providing a final deadline. When the final deadline passes, close applications for which there has been no response and maintain the record of the certified delivery with the original application for a period of three years.

4.6 MAINTAINING THE WAITING LIST

The waiting list format should contain sufficient information to allow the PHA to properly select families who are next eligible for a housing choice voucher according to the selection policy described in the administrative plan. The waiting list must include the following information about each applicant:

- Name;
- Family unit size (i.e., the number of bedrooms for which the family qualifies under the PHA's occupancy standards);
- Date and time of application;
- Qualifications for any local preference; and
- Racial or ethnic designation of the head of household.

A PHA may find it needs additional information on the waiting list for waiting list management tasks. A family's apparent qualification as very low-income or extremely low-income is essential for effective management of the income targeting requirement. A PHA using a lottery for placement on the waiting list will need to record the number indicating the applicant's lottery order.

The PHA must use a single waiting list for admission to its housing choice voucher program. However, a PHA operating in multiple jurisdictions may use a separate waiting list for a county or municipality.

If the PHA maintains separate waiting lists for its programs, the following rules apply:

- If the housing choice voucher waiting list is open when an applicant is placed on the waiting list for the PHA's public housing, project-based voucher, or moderate rehabilitation programs, the PHA must offer to place the applicant on its housing choice voucher waiting list.
- If the PHA's waiting list for its public housing, project-based voucher, or moderate rehabilitation programs is open when the applicant is placed on the housing choice voucher program waiting list, the PHA must offer to place the applicant on these other waiting lists, as long as the other programs include units suitable for the applicant.

A PHA may not take any of the following actions because an applicant has applied for, received, or refused other federal, state, or local housing assistance:

- Refuse to list the applicant on the housing choice voucher program waiting list;

- Deny any admission preference for which the applicant is qualified;
- Change the applicant's place on the waiting list based on preference, date and time of application, or other factors affecting selection under the PHA selection policy; or
- Remove the applicant from the waiting list.

Depending on the size of the PHA's housing choice voucher program and the sophistication of its systems, the waiting list can be anything from a simple card file system to an automated database system capable of electronically selecting applicants and producing helpful reports.

A PHA may merge its housing choice voucher waiting list with its waiting list(s) for admission to another assisted housing program, including a federal or local program. For example, a PHA can merge its housing choice voucher waiting list with its project-based voucher program, moderate rehabilitation program and/or public housing waiting list. When admitting an applicant family, admission for each federal program is subject to the federal regulations for that program.

Analyzing the Waiting List

The waiting list should be analyzed periodically to ensure that it adequately represents the objectives of the housing choice voucher program. The results of this type of analysis can be used to adjust the outreach procedures.

The PHA's Annual Plan, which requires a statement of the community's housing needs, must include data from the waiting list. Waiting list data required include: the number of waiting list families with incomes below 30% of the area median income (extremely low-income families); the number of elderly families and families with disabilities; and the number of households by racial and ethnic groups. From this data, the PHA must identify the housing needs of each group addressing issues of affordability, supply, and accessibility.

WAITING LIST ANALYSIS

Are there a sufficient number and variety of applicants to ensure full utilization of the PHA's rental assistance resources?

Do the applicants represent a broad range of social and economic characteristics that are representative of the community?

Are those families determined least likely to apply adequately represented?

Will the PHA be able to satisfy income-targeting requirements with current applicants? See Section 4.12, below.

4.7 MAINTAINING WAITING LIST DOCUMENTATION

Applicant files must be retained for at least three years after the date an application is closed, withdrawn from the waiting list, or determined ineligible. Applications from families admitted to the program must be retained by the PHA for the duration of the families' participation in the program.

All files should be maintained in a place that assures confidentiality and access only by authorized staff. Although there are no federal confidentiality requirements, PHA management will want to remind application and admissions staff of the importance of applicant file confidentiality. Failure to provide confidentiality to program families may have a negative impact on the PHA's ability to obtain full and accurate family information.

The PHA should create a waiting list applicant file to hold the application and any related correspondence and supporting documentation. Active applicant files should be separated from ineligible or inactive applicant files. Applicant files should be organized in a way that provides an accurate and chronological history. This documentation is important because it gives the PHA a permanent written record of actions taken which affect the application. Actions that should be recorded include:

- Change in preference status
- Changes in family size and composition
- Change of address
- Withdrawal from the waiting list
- Determination of ineligibility

> The condition of a PHA's program files is an indicator of the quality of its program administration!

PHAs should consider using a simple format to document all telephone and personal contacts with the applicant, including date, nature of the contact, and action taken. As eligible applicants are selected from the waiting list, determined eligible, issued a voucher, and lease under the program, the applicant file then forms the basis of the participant file.

> APPLICANT FILE MAINTENANCE SUGGESTIONS
>
> 1. Arrange file contents in chronological order.
> 2. Keep all related forms together.
> 3. Use a simple form to document contact with the applicant.
> 4. Maintain active and inactive applicant files separately.
> 5. Retain files for three years.
> 6. Assure confidentiality.

4.8 ACCEPTING APPLICATIONS

A PHA's method of accepting and processing applications again depends upon its particular circumstances. The following factors should be taken into consideration:

- Number of families expected to apply;
- Leasing rate and current and future availability of voucher assistance;
- Size of the housing choice voucher program;
- Number of applicants currently on the waiting list;
- Staff availability and workload; and
- Administrative constraints.

Some PHAs may also have court orders, voluntary compliance agreements, or other mandatory directives to consider.

The PHA must accept applications from families for whom the waiting list is open. Even when it is apparent to staff that a particular family may be found ineligible, any family requesting an application when the list is open must be allowed to apply. If in subsequent evaluations of the application, the household is found to be ineligible, the PHA must inform the family in writing of the reason for its ineligibility and of the family's right to request an informal review.

Fair Housing Requirements

PHAs are required to make the application process accessible to elderly and disabled populations. The PHA's application site must be accessible, unless making it accessible would result in an undue financial or administrative burden. If the application site cannot be made accessible, the PHA must offer a reasonable accommodation that provides full access to the application process. If the method chosen does not accommodate the elderly or disabled populations, the PHA must make available an alternative application process for these populations.

REASONABLE ACCOMMODATION EXAMPLES

1. Providing the hearing impaired accessibility through TTD/TTY machines.
2. Providing a sign interpreter upon request.
3. Providing materials in Braille or on tape to persons with visual impairments.
4. Conducting home interviews for the elderly or persons with disabilities.

PHAs may use both traditional and non-traditional approaches to taking applications. While the traditional method tends to be in-person at the PHA offices or at a special short-term location, other approaches should be considered. Consider a mail-in application process, making home visits, a lottery or other random selection approach, accepting applications over the internet, printing an application in the local newspaper or developing an innovative approach that addresses local needs.

Some application-taking approaches result in a waiting list that is established based on date and time of application. In these instances, completing the application as early as possible is critical. When the method used is a lottery or other random selection process, the timing of application submission has no bearing on one's position on the waiting list, as long as the application is submitted by the specified deadline. Some approaches limit application taking to a defined period of time; others provide for the receipt of applications on an ongoing basis.

What is important is that the approach chosen accommodates the needs of the interested parties, takes into consideration staff resources and availability, and is an efficient means to achieving leasing goals. Consideration should be given to ways in which the application process can be expedited so as not to inconvenience families, particularly working families. Any method that results in applicants standing in long lines in order to receive and complete an application is an unwise choice. Not only is this method inefficient, it reflects poor customer service.

The following highlights a variety of options for taking applications and identifies possible advantages, disadvantages, and other issues for PHAs to consider when determining which approach, or combination of approaches, is most suitable for the PHA:

- *Regular office hours*. Applications can be taken on-site, during regular office hours either by appointment or on a walk-in basis. Taking applications by appointment eliminates long applicant lines and excessive waiting times, thereby promoting customer service. Taking applications by appointment may also be advisable in cases where staff are not available full-time to take applications, or there is an insufficient volume of applicants to warrant a full-time employee dedicated to this activity. A walk-in approach can work well provided the PHA has enough staff to handle the demand, and the demand is low enough that the process doesn't create chaos in the PHA office. Smaller PHAs may find taking applications on a walk-in basis particularly useful. With either approach, the PHA may wish to limit walk-in and appointment hours to, for example, once a week, mornings only, etc.

- *Specially-designated times*. In addition to or in lieu of taking applications at the PHA office during regular business hours, PHAs may offer the option to schedule an appointment during early morning, evening, or weekend hours to accommodate applicants who may be unable to appear during regular business hours due to work obligations, inability to obtain child care or transportation, or other hardship reasons. Although accommodating, this approach limits the times an applicant can apply, which can be seen as a customer disadvantage. Staff must be available to work during the off-hours, and the added staffing cost must be weighed against the numbers of eligible applicants placed on the waiting list as a result of this approach.

- *Specially designated locations*. PHAs who administer the program over a wide geographic area may wish to establish more than one location for taking applications. PHAs choosing this option should consider locations where there are heavy concentrations of potential applicants or a heavy concentration of a population group currently under-served by the program. This method is often appropriate for larger PHAs and may be a good mechanism for helping the PHA achieve its family outreach objectives. One concern is that this method may require more staff and staff time dedicated to the intake process.

- *Home visits*. Home visits are helpful to those applicants who are unable to reach the PHA office due to lack of transportation, illness, disability, hospitalization, and child care constraints.

- *Centralized application and referral center*. PHAs may establish one or more centralized application taking centers with shared staff. This approach increases the pool of applicants and can provide more comprehensive information on housing opportunities in a variety of areas. In the long term, it may also decrease the amount of staff and staff time dedicated to application intake. A spin-off of this approach is a centralized application center for a PHA's public housing and housing choice voucher programs.

- *Applications by mail and fax*. Instead of applying in person, applicants are required to complete and mail or fax a standardized application form. This approach works well when a pre-application form is used (see Section 4.9 below). It can also be used to accommodate an applicant who has difficulty traveling to the PHA office, either because of a disability, or because the family is living out-of-state and interested in relocating to the PHA's area. A mail-in or fax approach limits staff time spent servicing walk-in applicants, and scheduling and conducting applicant interviews. Some PHAs have designed application forms that can be recognized by a computer and automatically entered into a computer database, eliminating data entry by staff. Some PHAs prefer not to have applicants complete the full application form off-site because of the risk that questions will be interpreted or answered incorrectly. If a full application is mailed, follow-up phone calls or correspondence is often required to obtain additional information and to ascertain the accuracy of all entries on the application form prior to verification.

- *Applications by telephone*. Through the installation of an interactive voice response system, applications can be taken by telephone. When applicants call, the computer "asks" them to enter key information and "reads" the information back in a synthesized human voice. The system virtually eliminates staff time associated with taking applications, except for special cases where the applicant needs to speak with a specialist. Another benefit is that the system can operate 24 hours a day. Implementing this system requires a computer technician for programming, installation and regular maintenance. It also requires an initial outlay for the purchase of hardware and software.

- *Lottery or random selection approach*. Under this approach, the waiting list is not established based on date and time of application. Instead the PHA randomly orders applications to form its waiting list. If the PHA anticipates receiving far more applications than it can assist in a reasonable period of time, the lottery rules can be established in advance with a limit to the number of applications that will be placed on the waiting list. When the application deadline has passed, the PHA randomly selects the number of applications from a pool of all applications submitted. Those selected are randomly ordered on a waiting list. Applications not selected for the waiting list should be discarded. This approach works well when a pre-application form is used. It is suitable for large or medium PHAs where the demand for housing far exceeds availability. This method is time intensive, but only for a short period of

time, which the PHA can plan for in advance. PHAs may opt to run the lottery using existing staff, hire temporary help, or hire a private firm to manage the process.

A LOTTERY APPROACH

A PHA uses a lottery to construct a waiting list. Entry cards printed in several languages are distributed from sites at a pre-established date and time. Only one card per family is accepted. Applicants fill out the cards and return them by mail. The cards must be post-marked by a specified date. All of the accepted cards are held in a pool, and the PHA conducts drawings throughout a 12-month period using a computer-based, random selection procedure. The dates of the drawings are published in the local newspaper. Winning families are notified in writing regarding application procedures. The number of lottery cards drawn is intended to carry the PHA until the next drawing. Drawings occur one or twice a year or as needed by the PHA. At the end of the year, the entire application process begins again. One PHA using this approach reports that the percent of applicants called from the list who become successful leaseholders has increased from 35 to 80 percent with the implementation of the annual lottery.

4.9 PROCESSING APPLICATIONS AND APPLICATION CONTENT

HUD does not mandate the format or content for a housing choice voucher application or the method for processing applications. Families wishing to participate in the housing choice voucher program must complete an application according to the method required by the PHA. The family should apply using a written application form and sign the form upon completion.

Use of Preliminary Application Form

Many PHAs opt to have applicants complete a streamlined, abbreviated pre-application form as the first step in the application process. The pre-application collects only the information that is required for placement of the family on the waiting list: name and address, family unit size, date and time of application, qualifications for any local preference, and racial or ethnic designation of the head of household. In addition, the pre-application should also ask for an estimate of annual income to comply with the PHA plan and income-targeting requirements. (See Section 4.12, below.)

Pre-applications are screened by PHA staff to determine initial eligibility and effectively screen out obviously ineligible applicants before placing them on the waiting list. If the PHA determines a family as ineligible, the PHA must notify the family in writing of the reasons for the determination and how the family may request an informal review. The PHA also must inform those applicants that are determined potentially eligible of their status and place them on the waiting list. The PHA does not complete a full application until the family is selected from the waiting list, just prior to the

ADVANTAGES OF PRE-APPLICATION

- *Allows for quick initial processing*
- *Screens out obviously ineligible applicants*
- *Defers completion of full application and eliminates need to reverify*
- *Limits delays in issuance*

expected availability of assistance. This deferral ensures that the information collected and verified is accurate and up-to-date when the voucher becomes available for issuance, so that the voucher can be issued as quickly as possible.

Use of the pre-application works best in situations where there will be a wait for assistance. This approach allows for expedient initial processing of the basic information required for the waiting list, screens out ineligible families, and defers the full application process so that when the full application is completed, the information collected is more accurate and timely. The preliminary application can easily be taken by mail, in a public setting with a large number of applicants present, or at the front desk of the PHA office. Exhibit 4-1, provides a sample preliminary application.

Full Application Form

PHAs with no waiting list or a very short waiting list may opt to skip the pre-application and use only a full application form. Exhibit 4-2 provides a sample of a full application. The full application should provide the following:

- Information necessary to compute the family's annual income. This includes identification of all sources of income and how amounts are paid (annually, bi-annually, quarterly, monthly, bi-monthly, bi-weekly, weekly, etc.) and all assets.

- Information necessary to determine allowances and adjusted income. This includes information related to the number of dependents, type of family, and any childcare, disability, or medical expenses (elderly families only).

- Information to determine family composition and family unit size requirements.

- Information related to qualification and verification of preferences.

- Name and address of current and previous owner.

- Identification of persons with disabilities and special housing needs.

- Information on previous evictions from federally assisted housing.

- Information on arrests for use of controlled substances and activities related to abuse of alcohol and violent criminal activity.

- Information on any screening required by PHA policy.

- Statistical information for reporting/tracking purposes, such as race, ethnicity, household size, housing status.

- A certification that the information provided is accurate and complete.

The full application is best taken in a private interview situation. Many PHAs find it efficient to have the application form completed by its staff while the applicant family is present. This method assures that the application is completed accurately and consistently.

4.10 PHA SELECTION PREFERENCES

The PHA may, but is not required to, establish a system of preferences for the selection of families admitted to the program. PHA selection preferences must be described in the PHA administrative plan. Any system of local preferences must be consistent with the PHA plan and the Consolidated Plan under which the local PHA jurisdiction is covered. In addition, the preference system must be based on local housing needs and priorities, as determined by the PHA. In determining such needs and priorities, the PHA must use generally accepted data sources and consider public comment on the proposed PHA plan and the Consolidated Plan. Preferences affect only the order of applicants on the waiting list. They do not make anyone eligible who was not otherwise eligible, and they do not change the right of an owner or a PHA to adopt and enforce tenant screening criteria.

The PHA may not deny a local preference, nor otherwise exclude or penalize a family in admission to the program, solely because the family resides in a public housing development. The PHA may not provide a local preference for families who agree to participate in the family self-sufficiency program. The PHA may not adopt a preference for selection of higher income families over low-income families.

If a PHA wishes to change its current preference system, the PHA must give notice and opportunity for public comment. This requirement is applicable even if the new system is simply based on date and time of application. An opportunity for public comment can be a public meeting or an opportunity to submit written comment. The new participant selection system must be included in the PHA administrative plan and approved by the PHA before implementation. It must also conform to the Consolidated Plan for either the state or local government. PHAs must explain each type of preference to applicants and provide them with the opportunity to show that they are qualified for the preference.

The PHA may elect to adopt a preference for working families (families where the head, spouse or sole member is employed). A PHA that adopts a preference for working families must give the benefit of that preference to an applicant family if the head and spouse, or sole member is age 62 or older, or is a person with disabilities.

The PHA may limit the number of applicants that may qualify for any local preference. For applicants on the waiting list with the same preference status, the PHA may select among applicants using the date and time of application or use a drawing or other random choice technique.

The box on the following page provides examples of various types of local preferences that a PHA may, but is not required to, establish based on local housing needs and priorities. It should be noted that the Public Housing Reform Act of 1998 encourages PHAs to consider establishing a local preference for families that include victims of domestic violence.

Residency preferences are permitted and no longer require HUD approval, although they are subject to HUD audit and review for compliance with non-discrimination and equal opportunity requirements. A residency preference applies to applicants who are working or have been notified that they are hired to work in the locality as well as applicants already living in the PHA's jurisdiction. A residency preference may not be based on the length of time the applicant has lived or worked in the area. The PHA may treat graduates or participants of a training program designed to prepare individuals for the job market as "residents". A county or municipality may be used as a residency preference area. An area smaller than a county or municipality may not be used as a residency preference area.

EXAMPLES OF LOCAL PREFERENCES

1. Families residing in public housing that are victims of a crime of violence.
2. Persons who reside in a specified geographic area or who are working or have been hired to work in the same area, i.e. residency preference.
3. Working families, i.e. families where the head, spouse or sole member is employed. Applicant families where the head, spouse or sole member is age 62 or older or is a person with disabilities must be given the benefit of the working family preference.
4. Families that include a person with disabilities. The PHA, however, may not adopt a preference for admission of persons with a specific disability.
5. Families that include victims of domestic violence.
6. Single persons who are age 62 or older, displaced, homeless, or a person with disabilities.
7. Families living in substandard housing.
8. Families that are involuntarily displaced.
9. Families paying more than 50 percent of gross monthly income for rent and utilities.

PHAs should adopt procedures for verifying preferences. PHAs do not have to verify a preference at the time of initial application. At the time of initial application, the applicant only needs to certify as to whether or not it is eligible for a preference, and the PHA need only place the applicant on the waiting list according to the preference claimed. Before the family receives assistance, however, the PHA must verify the family's eligibility for the preference based on current circumstances. If upon verification the PHA determines that the family does not qualify for the preference claimed, the family does not receive the preference. In this situation, the PHA must provide a written notice stating the reasons for the determination.

It is the responsibility of the PHA to clearly define its preferences. For example, the PHA must define what it means by "working family". Is a family in training included? How will the PHA make certain persons with disabilities and elderly applicants know they qualify when a PHA has a working preference?

When identifying local preferences, it is important to simplify the definitions to the extent possible so that families claiming preferences clearly understand what they are claiming, and preferences can be more easily verified.

PHAs with complex preference systems should consider whether the system is more complex than it needs to be. Is the preference achieving the desired result? Does the result achieved justify the additional administrative burden on the part of PHA staff to administer the preference system? One drawback of a complex preference system is that SEMAP Indicator 1, Selection from the Waiting List, becomes more difficult and time-consuming to monitor. More staff time must be devoted to conducting quality control and ensuring accuracy in selecting applicants from the waiting list and determining applicant eligibility. The method of selecting applicants from a preference category must leave a clear audit trail that can be used to verify that each applicant has been selected in accordance with the method specified in the PHA administrative plan.

4.11 SELECTION FROM THE WAITING LIST

As vouchers are expected to become available, the PHA selects eligible applicants from the waiting list in order to begin the eligibility determination, voucher issuance, and leasing processes. Except for special admissions, participants must be selected from the housing choice voucher program waiting list. The PHA must select participants from the waiting list in accordance with HUD regulations and requirements and in compliance with admission policies in the PHA's administrative plan. The PHA's admission policy must describe the PHA's system of preferences that is used to select applicants from the waiting list, including any residency or other local preference. The PHA must organize its waiting list and maintain the information necessary to select according to its policies.

If the PHA does not have a system of local preferences, applicants are selected from the waiting list in sequence according to the date and time of their applications or the result of the random drawing. If the PHA has a preference system, the applicant that qualifies for a preference may be issued a housing choice voucher before an applicant that applied earlier but has no preference. (See Section 4.10, above, for a discussion of preferences.) The PHA may never select families for admission to the program in an order different from the order on the waiting list for the purpose of selecting higher income families for admission to the program.

The order of selection from the waiting list must not be based on family size, or on the family unit size for which the family qualifies under the PHA's occupancy policy. Waiting lists maintained by family unit size are illegal. If the PHA does not have sufficient funds to subsidize the unit size requested by the family at the top of the waiting list, the PHA may not skip the top family to admit an applicant with a smaller family unit size. Instead, the family at the top of the waiting list must be admitted when sufficient funds are available.

Admission to the program cannot be based on where the family lived before admission to the program or on where the family will live with assistance under the program. One exception is that a PHA may give a selection preference to families who live in public housing or other federally assisted housing, or may adopt a local residency preference.

Although a PHA can establish a preference system to admit families with certain characteristics from the waiting list, admission to the program must never be based on the following:

- The presence of family members that include unwed parents, recipients of public assistance, or children born out of wedlock;
- Family includes children;
- Age, race, color, religion, sex or national origin;
- A family decision to participate in a family self-sufficiency program; and
- Persons with a specific disability.

4.12 INCOME TARGETING REQUIREMENTS

At least 75 percent of the families who are admitted to a PHA's housing choice voucher program during the PHA fiscal year must be extremely low-income. Extremely low-income families are those with incomes at or below 30 percent of the area median income. Income limits are posted on the internet through HUDUSER. The annual gross income of the applicant family is used for income-targeting purposes. Annual income must have been verified within the 60 days prior to issuance of the voucher. A PHA must meet its income targeting requirement over the course of the PHA's fiscal year. In other words, deviations from the 75 percent extremely low-income target are allowed during the year as long as the target is met by the year's end.

With HUD approval, a PHA may admit a lower percentage of extremely low-income families. Such a lower percentage must be consistent with the agency's PHA plan. It must also be based on HUD's determination that certain circumstances necessitate the use of a lower percentage, such as the following:

- The PHA has opened its waiting list for a reasonable time for admission of extremely low-income families residing in the same metropolitan statistical area (MSA) or non-metropolitan county, both inside and outside the PHA jurisdiction;
- The PHA has notified the public of the opening, and has conducted outreach and marketing to extremely low-income families. This marketing and outreach must target families on the waiting lists for the housing choice voucher and public housing programs at other PHAs with jurisdiction in the same MSA or non-metropolitan county;

- Despite the actions taken above, there are not enough extremely low-income families on the PHA's waiting list to fill available slots in the program during any fiscal year for which use of a lower percentage is approved by HUD; and

- Admitting additional very low-income families to the program, other than extremely low-income families, will substantially address worst-case housing needs, as determined by HUD.

PHAs participating in the welfare-to-work voucher program (WtW) may request HUD approval for an exemption from the income-targeting rule for WtW families. HUD will only approve such a waiver if and to the extent that the PHA has demonstrated to HUD's satisfaction that compliance with income-targeting obligations would interfere with the objectives of the WtW Program. If HUD approves an exemption, families admitted to the WtW program are not counted in the base number of families admitted to a PHA's housing choice voucher program during the fiscal year for the purposes of income-targeting.

When determining whether the PHA is in compliance with income-targeting requirements, the PHA does not have to include a low-income family that is "continuously assisted" under the 1937 Housing Act in its calculation. The same applies for a low-income or moderate-income family that is displaced as a result of the prepayment of the mortgage or voluntary termination of an insurance contract.

If the jurisdictions of two or more PHAs administering the housing choice voucher program cover an identical geographic area, these PHAs may elect to be treated as a single PHA for income-targeting purposes. In these cases, the PHAs must cooperate to assure that their aggregate number of admissions comply with income-targeting requirements. If such PHAs do not operate under the same fiscal year, HUD will determine which fiscal year is to be used for income-targeting purposes.

If a family initially leases a unit outside the PHA jurisdiction under portability procedures at admission to the voucher program, such admission shall be counted against the targeting obligation of the initial PHA, unless the receiving PHA's absorbs the portable family, in which case the family is considered an admission by the receiving PHA voucher program and is counted in the receiving PHA's income-targeting calculation.

PHA Considerations

The PHA will need to regularly monitor the income levels of its waiting list applicants and new admissions in order to be sure that it will meet its income-targeting requirement by the end of its fiscal year. To do this, a PHA should take the following steps:

Step 1: Collect the data necessary to estimate the annual gross incomes of waiting list applicants. A PHA that uses a pre-application process must make sure its pre-application contains this data.

Step 2: Estimate the number of families it expects to admit over the course of its fiscal year.

Step 3: Estimate the number of families it will need to select from its waiting list in order to admit the number of families identified in Step 2.

Step 4: For the total number of families identified in Step 3, use data collected in Step 1 to determine what percentage may be expected to fall in the extremely low-income category.

Step 5: With this information, begin admitting applicants according to the selection criteria contained in the PHA administrative plan.

Step 6: Monitor admissions to determine the actual percentage of extremely low-income families who are admitted into the program. If, based on the figure identified in Step 4, the PHA anticipates difficulty meeting the seventy-five percent income targeting requirement, it should monitor admissions more frequently, such as monthly. If, based on the figure identified in Step 4, the PHA expects to easily meet the seventy-five percent income-targeting requirement, it can monitor less frequently, such as quarterly. The admissions report in the Multifamily Tenant Characteristics System (MTCS) provides the data needed to monitor income targeting performance.

Step 7: If it is clear from the data collected in Step 6 that the PHA is not going to meet the income-targeting requirement:

Step 7A: Suspend that part of the PHA's existing selection policy that discourages admission of extremely low-income families.

Step 7B: Implement a strategy for reaching out to extremely low-income families on the waiting list.

Step 7C: Aggressively market to extremely low-income families.

Note: Substep A requires that the PHA establish in its PHA administrative plan a policy that enables it to suspend its current selection procedures and implement a new (already defined) procedure in order to meet income-targeting requirements.

4.13 SPECIAL ADMISSIONS/NON-WAITING LIST ADMISSIONS

Background

HUD may award a PHA special program funding that is targeted for families living in specified units. For example, special housing choice voucher program funding can be targeted to:

- Families displaced because of demolition or disposition of a public housing development;
- Families residing in a multifamily rental housing project when HUD sells, forecloses or demolishes the project;

- For housing covered by the Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA), non-purchasing families residing in a project subject to a homeownership program or families displaced because of a mortgage prepayment or voluntary termination of a mortgage insurance contract;
- Families residing in a project covered by a project-based Section 8 HAP contract at or near the end of the HAP contract term; and
- Non-purchasing families residing in a HOPE I or HOPE II project.

If HUD awards program funding that is targeted for families living in specified units, the PHA must use the assistance for the families living in these units. The PHA must maintain records showing that the family was issued a HUD-targeted voucher.

Units leased by non-waiting list admissions are not counted when calculating a PHA's performance under SEMAP Indicator 1.

4.14 SEMAP INDICATOR 1, SELECTION FROM THE WAITING LIST

SEMAP Indicator 1 measures two aspects of a PHA's management of its waiting list and selection activities:

- Whether the PHA has written policies in its PHA administrative plan for selecting applicants from the waiting list.
- Whether the PHA follows these policies when selecting applicants for admission from the waiting list.

To receive the 15 points for this indicator, the latest independent audit report must state that the PHA has written waiting list selection policies. It must also state that, based on a random sample of the PHA's applicants and admissions, 98 percent of families in the sample were selected from the waiting list in accordance with the PHA written policy and met the selection criteria that determined their places on the waiting list and their order of selection.

Tracking and monitoring performance under SEMAP Indicator 1 requires that PHA staff maintain an up-to-date administrative plan and conduct routine internal audits of the waiting list selection process. The purpose of the audits should be to confirm that staff consistently select from the list according to established policy and include clear selection documentation in each new participant file. As part of this process, errors should be documented and monitored and staff should be trained in policies and procedures accordingly. Similarly, routine internal audits of recent admissions should be conducted to verify that these determinations were made according to the PHA's admission policies and HUD regulations.

In addition to monitoring staff procedures, PHAs with automated systems may want to review their waiting list software to verify that the software is properly programmed to make selections according to PHA policy. This review is particularly important if policies have recently changed.

SAMPLE **EXHIBIT 4-1**

HOUSING CHOICE VOUCHER PROGRAM PRE-APPLICATION

1. HEAD OF HOUSEHOLD INFORMATION

Last Name _____ First Name _____ Middle Initial _____

Social Security Number _____ Date of Birth _____

Mailing Address

_____

_____

(City) (State) (Zip Code)

Telephone number _____ Alternate Telephone number _____

2. INFORMATION ABOUT SPOUSE

Last Name _____ First Name _____ Middle Initial _____

Social Security Number _____ Date of Birth _____

3. HOW MANY PEOPLE WILL LIVE IN THE UNIT? Please include yourself. _____

ADULTS _____ Male _____ Female _____ **CHILDREN** _____ Male _____ Female _____

4. DO ANY PERSONS WHO WILL LIVE IN THE UNIT HAVE A DISABILITY? Yes No

5. I WOULD LIKE MY NAME PLACED ON THE PUBLIC HOUSING WAITING LIST.

❑ Yes No ❑

6. FOR HUD STATISTICAL PURPOSES ONLY

Please identify your race and ethnicity by checking one box in each of the two categories below:

Check One:
❑ White
❑ Black/African American
❑ American Indian/Alaska Native
❑ Asian
❑ Native Hawaiian/Other Pacific Islander

Check One:
❑ Hispanic or Latino
❑ Not-Hispanic or Latino

7. SOURCE(S) OF FAMILY INCOME; CHECK ALL THAT APPLY AND IDENTIFY AMOUNT:

❑ Wages _____ ❑ Social Security _____
❑ SSI _____ ❑ TANF/Welfare _____

8. I CERTIFY THAT THE ABOVE INFORMATION IS ACCURATE AND COMPLETE.

I understand that submission of false information or misrepresentation may result in loss of eligibility to participate in the housing choice voucher program.

Date _____ Signature of Head of Household _____

This preapplication is NOT an official HUD form. Please review and revise the form to conform to state and local law and PHA procedures.

EXHIBIT 4-2

Date: _____ Time: _____

SAMPLE

FULL APPLICATION FOR ADMISSION TO THE HOUSING CHOICE VOUCHER PROGRAM

APPLICANT NAME _____ APPLICATION NO.: _____

CURRENT ADDRESS _____ APT. NO.: _____

CITY, STATE, ZIP CODE _____

HOME PHONE _____ HEAD HH WORK NO. _____ SPOUSE WORK NO. _____

HOUSEHOLD COMPOSITION AND CHARACTERISTICS

1. List the Head of Household and all other members who will be living in the unit. Give the relationship of each family member to the head.

MEMBER NO.	MEMBER'S FULL NAME	RELATION TO HEAD	BIRTH DATE	AGE	SEX	SOCIAL SECURITY NO.

2. Race of Head of Household: (Check one - used for statistical purposes only)
   White Black ❑ American Indian/Alaskan Native ❑ Asian ❑ Native Hawaiian/Other
3. Ethnicity of Head of Household (Check one)
   Hispanic or Latino ❑ Not-Hispanic or Latino
4. Does anyone live with you now who is not listed above? Yes ❑ No
5. Does anyone plan to live with you in the future who is not listed above? Yes ❑ No
   Explain if you answered yes to either question: _____
   _____

*6. Is head of household or spouse a person with disabilities? Yes ❑ No

*7. Please identify any special housing needs your household has.
   _____

8. How many people live in your unit now? _____ How many bedrooms do you have? _____
9. Do you wish to move? ❑ Yes ❑ No If yes, why? _____
10. Are you now living in a federally subsidized housing unit? Yes No
11. Have you ever lived in Public Housing? ❑ Yes ❑ No If yes, where? _____
12. Have you ever participated in the Certificate or Voucher Program? Yes No
    If yes, enter the date(s) of occupancy: _____
13. Have you ever been evicted from public housing, Indian Housing, a Section 23 or Section 8 program? Yes❑ No
    If yes, provide the following information: When? _____ For what reason? _____
    Name of Housing Authority or owner _____
14. Have you ever been arrested for illegal use of a controlled substance or activities related to an abuse of alcohol?
    ❑ Yes ❑ No
15. Name and address of current landlord:_____ Phone:_____
16. Your last address:_____. Dates you lived there: from_____to_____
17. Name and address of previous landlord:_____
    _____Phone:_____

*These questions are asked only for the purposes of calculating total tenant payment and determining the family's need for an accessible unit.

This application is NOT an official HUD form. Please review and revise the form to conform to state and local law and PHA procedures.

INCOME AND ASSET INFORMATION

Please answer each of the following questions. For each "yes," provide details in the charts below.

YES	NO		Does any member of your household:
Yes ❑	No	1.	Work full-time, part-time, or seasonally?
Yes ❑	No	2.	Expect to work for any period during the next year?
Yes ❑	No	3.	Work for someone who pays them cash?
Yes ❑	No	4.	Expect a leave of absence from work due to lay-off, medical, maternity, or military leave?
Yes ❑	No	5.	Now receive or expect to receive unemployment benefits?
Yes ❑	No	6.	Now receive or expect to receive child support?
Yes ❑	No	7.	Have an entitlement to receive child support that he/she is not now receiving?
Yes ❑	No	8.	Now receive or expect to receive alimony?
Yes ❑	No	9.	Have an entitlement to receive alimony that is not currently being received?
Yes ❑	No	10.	Now receive or expect to receive public assistance (welfare)?
Yes ❑	No	11.	Now receive or expect to receive Social Security benefits?
Yes ❑	No	12.	Now receive or expect to receive income from a pension or annuity?
Yes ❑	No	13.	Now receive or expect to receive regular contributions from organizations or from individuals not living in the unit?
Yes ❑	No	14.	Receive income from assets including interest on checking or savings accounts, interest, and dividends from certificates of deposit, stocks or bonds, or income from rental property?
Yes ❑	No	15.	Own real estate or any assets for which you receive no income (checking account, cash)?
Yes ❑	No	16.	Have you sold or given away real property or other assets (including cash) in the past two years?

MEMBER NO.	SOURCE OF INCOME/TYPE OF INCOME	ANNUAL INCOME

ASSETS

1. List all checking and savings accounts (including IRAs, Keogh accounts, and Certificates of Deposit) of all household members.

MEMBER NO.	BANK NAME	TYPE OF ACCOUNT	ACCOUNT NUMBER	BALANCE

2. List the value of all stocks, bonds, trusts, pensions, or other assets owned by any household member:

_____

_____

3. List the value of any assets disposed of for less than fair market value during the past two years:

_____

_____

EXPENSES

Yes ❑ No Do you have expenses for child care of a child aged 12 or younger?
If yes, provide the name, address, and telephone number of the care provider:

_____

What is the weekly cost to you of the child care?

Yes ❑ No Do you pay a care attendant or for any equipment for any household member(s) with disabilities necessary to permit that person or someone else in the household to work?
If you pay a care attendant, provide the name, address, and telephone number:

_____

_____

What is the cost to you for the care attendant and/or the equipment?

Elderly Families Only

Yes ❑ No Do you have medicare? If yes, what is your monthly premium?

Yes ❑ No Do you have any other kind of medical insurance? If yes, provide name and address of carrier, policy number, premium amount, and agent's name.

_____

_____

_____

Yes ❑ No Do you have outstanding medical bills which you are paying? If yes, list them below.

_____

_____

_____

What medical expenses do you expect to incur in the next twelve months?

_____

_____

_____

If you use the same pharmacy regularly, please provide the name and address.

_____

_____

_____

All Families List names, addresses, and phone numbers of two relatives or friends who generally know how to contact you.

1. _____ 2. _____

_____ _____

_____ _____

APPLICANT CERTIFICATION

I/We certify that the information given to the _____(HA)_____ on household composition, income, net family assets, and allowances and deductions is accurate and complete to the best of my/our knowledge and belief. I/We understand that false statements or information are punishable under Federal law. *I/We also understand that false statements or information are grounds for termination of housing assistance and termination of tenancy.

Signature of Head: _____ Date: _____

Signature of Spouse: _____ Date: _____

HA Representative: _____ Date: _____

NOTE TO APPLICANTS: If you believe you have been discriminated against, you may call the Fair Housing and Equal Opportunity National Toll-free Hot Line at (800) 424-8590.

*Add state law, if applicable.

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CHAPTER 5
ELIGIBILITY AND DENIAL OF ASSISTANCE

5.1 CHAPTER OVERVIEW

This chapter outlines HUD's requirements for participation in the housing choice voucher program and provides guidance to PHAs in establishing additional criteria. The PHA should strive for objectivity and consistency when applying these criteria to evaluate the eligibility of families who apply for assistance. PHAs must provide families applying for assistance the opportunity to explain their circumstances, furnish additional information if required, and receive an explanation from the PHA of the basis for any decision regarding their eligibility.

5.2 ELIGIBILITY REQUIREMENTS

There are four factors which affect eligibility:

- *Family definition*. Only applicants who meet a PHA's definition of family are eligible.
- *Income limits*. The household's annual income may not exceed the applicable income limit as established by HUD.
- *Citizenship status*. The applicant must meet the documentation requirements of citizenship or eligible immigration status.
- *Eviction for drug-related criminal activity*. Persons evicted from public housing or any Section 8 program for drug-related criminal activity are ineligible for assistance for at least three years from the date of the eviction.

The PHA's administrative plan must contain procedures for determining eligibility and denial of assistance.

Definition of Family

Program Requirements

Each applicant for assistance under the housing choice voucher program must meet the PHA's definition of family. Within guidelines provided by HUD, a PHA has discretion in its definition of what constitutes a family.

A family is either a single person or a group of persons and includes:

- A household with or without children. A child who is temporarily away from home due to placement in foster care should be considered a member of the family.

- An elderly family, which is defined as a family whose head, co-head, spouse, or sole member is at least 62 years of age; or two or more persons, each of whom are at least 62, living together; or one or more persons who are at least 62 living with one or more live-in aides.

- A disabled family, which means a family whose head, co-head, spouse, or sole member is a person with disabilities; or two or more persons with disabilities; or one or more persons with disabilities with one or more live-in aides.

- A displaced family, which is a family in which each member or the sole member is a person displaced by governmental action, or whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized by federal disaster relief laws.

- A remaining member of a tenant family is a family member of an assisted tenant family who remains in the unit when other members of the family have left the unit.

- A single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family.

PHA Discretionary Policies and Procedures

The PHA is responsible for defining family in its administrative plan. A PHA must include the HUD guidelines listed above in its definition.

Income Limits

HUD establishes income limits by family size for the area in which the PHA is located. The income limits are published annually in a HUD Notice and are generally effective on the date of publication. The income limits are available on the Internet at www.huduser.com at the "datasets" portal.

There are two income limits that are used to determine eligibility for the housing choice voucher program and a third that is used to ensure that the PHA has met its target for assisting the neediest families in the community.

The *very low-income limit*, which is set at 50 percent of the area median income, is the income limit generally used to determine initial program eligibility.

The *low income-limit*, set at 80 percent of the area median income, is used for families whose incomes fall above the very low-income limits but who are considered to be eligible for assistance because they are:

- Continuously assisted under the public housing or Section 8 programs;

- Non-purchasing households in the following homeownership programs: HOPE 1, HOPE 2, or other HUD-assisted multifamily home ownership programs covered under 24 CFR 284.173;

- Displaced as a result of the prepayment of a mortgage or voluntary termination of a mortgage insurance contract.

A PHA may adopt local policies permitting the admission of additional categories of low-income families to address essential local housing needs.

HUD also publishes an *extremely low-income limit* that is set at 30 percent of the area median income. Each PHA must ensure that 75 percent of its admissions in each PHA fiscal year are families whose incomes are at or below the extremely low-income limit. Rules pertaining to "targeting" assistance to extremely low-income families are discussed under preferences in Chapter 4.

PHA DISCRETION IN LOW-INCOME ELIGIBILITY

One example of a policy a PHA might adopt to permit admission of low-income families is a policy aimed at reducing total subsidy cost. For instance: two sisters want to live together. Individually they meet the very low-income limit. Together they exceed the very low income limit, but not the low-income limit. It will be cheaper to house them in a two-bedroom unit rather than in two one-bedroom units.

Applying Income Limits

Annual Income is compared to the applicable income limit to determine eligibility.

A family's income must be within the income limits for the PHA's jurisdiction at the time the family receives a voucher to search for housing. In addition, the family, when it is first admitted, must select a unit in an area in which the family meets the income limit for the housing choice voucher program.

A PHA with more than one set of income limits within its jurisdiction should use the highest income limit within its jurisdiction when determining initial household eligibility. However, a family whose income is above the limits in one or more areas of that PHA's jurisdiction may lease only in an area where the family is income eligible when it executes its first lease assisted under the voucher program. Similarly, a family exercising portability when first admitted to the program must lease in an area where it is within the eligibility income limit.

Citizenship Status

Limits on Assistance to Non-Citizens

Eligibility for federal housing assistance is limited to U.S. citizens and applicants who have eligible immigration status. Eligible immigrants are persons who qualify for one of the immigrant categories in Table 5-1. Persons claiming eligible immigration status must present appropriate immigration documents, which must be verified by the PHA through the Immigration and Naturalization Service (INS).

Every applicant household for (and participant in) the housing choice voucher program must sign a certification for every household member either claiming status as:

- A U.S. citizen, or
- An eligible alien, or
- Stating the individual's choice not to claim eligible status and acknowledge ineligibility.

Declaration of U.S. Citizenship

For household members claiming U.S. citizenship, only a declaration signed by the household member (or in the case of a minor child, parent) is required by regulation.

However, PHAs are permitted to adopt policies requiring verification through presentation of one of the following:

- United States passport;
- Resident alien card;
- Registration card;
- Social Security card;
- Other appropriate documentation.

If it is the PHA's policy to require verification of citizenship, the PHA administrative plan must clearly state this policy.

Documentation of Eligible Immigration Status

Non-citizens claiming eligible immigration status must provide all of the following evidence:

- The signed declaration of eligible immigration status;

- One of the INS documents specified in the rule. (See Exhibit 5-1, *Non-Citizen Rule – Summary of Documentation Requirements.*);

- A signed verification consent form describing transmission and use of the information obtained.

Families in which all members are citizens or have eligible immigration status are eligible for full housing assistance.

An applicant family without any citizens or members with eligible immigration status is not eligible for assistance.

Non-citizen students are not eligible to receive housing assistance. When a non-citizen student is accompanied by a non-citizen spouse and/or minor children, those family members are also ineligible for assistance. However, citizen spouses and the children of the citizen spouse and non-citizen student are eligible for assistance. When a household includes eligible and ineligible

members it is treated as a "mixed family" as described below. A non-citizen student is defined as a bona fide student who:

- Is pursuing a course of study in this country;
- Has a residence in another country outside of the United States that the person has no intention of abandoning; and
- Is admitted to this country temporarily, solely for the purpose of pursuing a course of study.

Mixed Families

Families that include members who are citizens or have eligible immigration status and members who do not have eligible immigration status (or elect not to state that they have eligibility status) are referred to as "mixed families".

A mixed family is eligible for prorated assistance. Prorated assistance is a calculation of subsidy based on the number of members who are citizens or have eligible immigration status.

CALCULATING PRORATED ASSISTANCE

Assistance for mixed families is calculated based on the percentage of eligible individuals in the household. There are five steps in the calculation.

Steps	***Example***
1. Determine the gross rent for the unit (rent to owner plus the utility allowance).	1. Rent to owner $500 Utility allowance + $50 Gross rent $550
2. Determine the HAP, taking into consideration the income of all family members, regardless of their eligibility status.	2. HAP = $300
3. Divide the number of eligible family members (citizens and those with eligible immigration status) by the total number of members in the household.	3. 3 eligible family members ÷ 4 total family members .75 proration factor
4. Multiply the HAP calculated in Step 2 by the number calculated in Step 3 to determine the family's eligible subsidy portion.	4. Prorated HAP = $300 x .75 = $225
5. The amount of rent the family will pay will be the gross rent for the unit (step 1) less the prorated HAP calculated in Step 4.	5. Prorated Family Share $550 Gross rent -$225 Prorated HAP $325 Prorated Family Share

Notification Requirements

At the time an application is filed, the PHA must notify all applicants for assistance about the rule restricting assistance based on citizenship status and of the requirement to submit documentation of eligible status or to elect not to claim eligible status. The PHA's notice must state the following:

- Financial assistance is contingent upon the appropriate submission and verification of documentation of citizenship or eligible immigration status.

- The types of documentation required and time period for submission. (See Exhibit 5-1.)

As appropriate, assistance will be prorated, denied, or terminated, based on a final determination of ineligibility after all appeals and, if requested, an informal hearing.

Submission of Documentation

Documentation must be submitted by the time of the eligibility determination. Once documents have been submitted and verified for an individual, citizenship documentation for that individual will not need to be collected again.

If the family certifies that the required evidence is temporarily unavailable and it needs more time, the PHA may provide an extension of up to 30 days to submit evidence of eligible status, if the family has submitted the required declaration of eligible immigration status. To obtain an extension, the family must also certify that prompt and diligent efforts will be undertaken to obtain the evidence.

The PHA must inform the family, in writing, whether its request for a time extension of has been granted or denied. If granted, the notice must state the specific period of the extension. If the extension request is denied, the notice must explain the reasons for the denial.

If all required documents have been provided by the family, assistance may not be denied or delayed solely because verification or requested hearings have not been completed.

If required documents have not been submitted by all family members, only prorated assistance may be provided until the required documents have been submitted by all family members.

New family members in currently participating households must submit documentation at the first interim or annual reexamination following occupancy.

If a PHA suspects that an applicant or tenant has misreported his or her immigration status or altered or forged documents, it may refer the case to HUD’s Office of Inspector General for investigation.

PHAs must apply all procedures in a uniform manner. No applicant or resident may be asked for additional information based on country of origin, speech, accent, language, or any other personal characteristic of the applicant or family member. Failure to maintain this performance standard could be a serious violation of the Fair Housing Act.

Verification of Eligible Immigration Status

The PHA must conduct primary verification of eligible immigration status through the INS automated system, Systematic Alien Verification for Entitlements (SAVE). The PHA must take the following steps to access SAVE:

- Complete and submit a Primary Verification User Access Code Agreement form before using SAVE for the first time.

- Each time, access the SAVE system by calling 1-800-365-7620.

- Use the assigned access code to enter the required information. One of the following messages will be received:

  - INS Status confirmed; or
  - Institute Secondary Verification.

- If the message is "Institute Secondary Verification", the PHA must request a manual records search by completing form G-845S, Document Verification Request. This form must be sent to the INS along with photocopies of the original INS documents supplied by the applicant or currently assisted household member within 10 days of receiving the "Institute Secondary Verification" message.

- The PHA is not liable for any action, delay, or failure of the INS in conducting the automated or manual verification.

Delay, Denial, or Termination of Assistance

The PHA may not delay, deny, or terminate assistance to an applicant or currently assisted household if any of the following circumstances apply:

- At least one person in the household has submitted appropriate INS documents;

- The documents were submitted to the INS on a timely basis, but the verification process has not been completed;

- The family member in question moves;

- The INS appeals process has not been completed;

- Assistance is prorated;
- Deferral of termination of assistance is granted; or
- For a program participant, the informal hearing process is not complete.

The PHA must terminate assistance for at least 24 months if it determines that a family has knowingly permitted an ineligible person to live in the assisted unit without informing the PHA.

Assistance may be denied or terminated when:

- Declaration of citizenship or eligible immigration status is not submitted by the specified deadline or any extension;
- Required documentation is submitted but INS primary and secondary verification does not verify immigration status and family does not pursue INS or PHA appeal; or
- Required documentation is submitted but INS primary and secondary verification does not verify immigration status, and INS or PHA appeal is pursued but decision(s) are rendered against the family.

When the PHA decides to deny or terminate assistance, it must send a written notice to the household which includes the following:

- A statement that financial assistance will be denied or terminated and an explanation of why;
- Notification that the family may be eligible for prorated assistance if it is a mixed family;
- In the case of a currently assisted household, the procedures for obtaining relief under the preservation of families provision (e.g. temporary deferral or proration of assistance);
- The right to appeal the results of the secondary verification to the INS; and
- The right to request an informal hearing from the PHA in lieu of an INS appeal or after an appeal.

In the case of applicants, the notice may advise that assistance may not be delayed until the conclusion of the INS appeal process, but may be delayed during the informal hearing process.

EXHIBIT 5-1
NON-CITIZEN RULE – SUMMARY OF DOCUMENTATION REQUIREMENTS

STATUS	DOCUMENTATION
I A Citizen or National of the United States.	DECLARATION: For each family member with this status, a declaration of citizenship signed under penalty of prejury. For each adult, the declaration must be signed by the adult. For each child, the declaration must be signed by an adult residing in the assisted dwelling unit who is responsible for the child.
II. A non-citizen claiming eligible immigration status who is 62 years of age or will be 62 years of age and receiving assistance on the effective date: 9/6/96.	DECLARATION: For each family member with this status, a declaration of eligible immigration status signed under penalty of prejury. Adults must sign their own declarations. AND: Proof of age
III. All other non-citizens claiming eligible immigration status. Categories of eligible immigration status: 1. A non-citizen lawfully admitted for permanent residence as an immigrant (includes special agricultural workers granted lawful temporary resident status). 2. A non-citizen who entered the United States before 1/1/72 (or such later date as enacted by law); and - Has continuously maintained residence in the U.S. since then; and - Who is not ineligible for citizenship, but who is deemed to be lawfully admitted for permanent residence as a result of an exercies of discretion by the Attorney General.	DECLARATION: See II above AND: <u>A verification form</u>: For each adult, the adult must sign the form. For each child, an adult member of the family residing in the unit who is responsible for the child must sign the form. The verification form must state that evidence of eligible immigration status may be released by the PHA to HUD and the INS without responsibility for the future use or transmission of the evidence by the recipient. The form must also notify the signer of the possible release of evidence of eligible immigration status by HUD. Such evidence shall only be released by HUD to the INS for the purpose of establishing eligibility for financial assistance. AND: <u>*INS Primary Verification*</u> of eligible immigration status must be conducted by the PHA through the INS automated SAVE system. If this method fails to verify status, or, if the verification received indicates ineligible immigration status, the PHA must request <u>Secondary INS Verification</u> within 10 days by sending to the local INS Office photocopies of INS documents receiving (front and back) attached to Form G-845S – Document Verification Request. AND: The PHA must request and review an original INS document of eligible immigration status and must retain photocopies and return the original to the individual.

EXHIBIT 5-1
NON-CITIZEN RULE – SUMMARY OF DOCUMENTATION REQUIREMENTS

STATUS	DOCUMENTATION
III. All other Non-citizens with eligible immigration status (continued) 3. A non-citizen who is lawfully present in the United States as a result of: - Refugee status (section 207); or - The granting of asylum (which has not been terminated (section 208); or - The granting of conditional entry (section 203 (a)(7) prior to 4/1/80 because of persecution of fear on account of race, religion, or political opinion, or because of being uprooted by catastrophic national calamity. 4. A non-citizen who is lawfully present in the United States as a result of an exercise of discretion by the Attorney General for emergency reasons or reasons deemed strictly in the public interest (section 221(d)(5)) (e.g., parole status). 5. A non-citizen who is lawfully present in the United States as a result of the Attorney General's'withholding deportation (section 243 (h)) (threat to life or freedom). 6. A non-citizen lawfully admitted for temporary or permanent residence (245A) (amnesty granted).	Acceptable INS Document: • Form I-551 Alien Registration Receipt Card (for permanent resident aliens) • Form I-94 Arrival-Departure Record annotated with one of the following: - "Admitted as a Refugee Pursuant to Section 207" - "Section 208" or "Asylum" - "Section 243(h)" or "Deportation stayed by Attorney General" - "Paroled Pursuant to Section 221 (d)(5) of the INS" • Form I-94 Arrival-Departure Record with no annotation accompanied by: - A final court decision granting asylum (but only if no appeal is taken); - A letter from an INS asylum officer granting asylum (if application is filed on or after 10/1/90) or from an INS district director granting asylum (application filed before 10/1/90); - A court decision granting withholding of deportation; or - A letter from an asylum officer granting withholding or deportation (if application filed on or after 10/1/90). • Form I-688 Temporary Resident Card annotated "Section 245A" or Section 210". • Form I-688B Employment Authorization Card annotate "Provision of Law 274a. 12(11)" or "Provision of Law 274a.12". • A receipt issued by the INS indicating that an application for issuance of a replacement document in one of the above listed categories has been made and the applicant's entitilement to the document has been verified; or • Other acceptable evidence. If other documents are determined by the INS to constitute acceptable evidence of eligible immigration status, they will be announced by notice published in the *Federal Register*.

INS Appeals Process

The PHA must notify the family in writing if the secondary verification process does not confirm eligible immigration status. The notice must indicate whether assistance has been delayed, denied, or terminated and inform the family of the right to file an appeal with the INS.

If the family wants to exercise its right of appeal with the INS, it must take the following steps:

- Within 30 days from the date of the PHA notification, submit a written request, for an appeal with the INS.
- Include with this request a cover letter and any support documentation as well as a copy of the verification request form (Form G-845S) which was submitted by the PHA for the secondary verification request.
- Provide the PHA with a copy of the request for an appeal with the INS.
- Provide any additional documentation that the INS may request.

Within 30 days the INS must render its decision to the family and forward a copy to the PHA.

Fair Housing Requirements

Careless implementation of the rule limiting assistance to non-citizens may result in inadvertent discrimination.

PHAs must take care to comply with all applicable civil rights and other fair housing laws and regulations. The Fair Housing Act prohibits discrimination on the basis of race, color, religion, sex, handicap, familial status, or national origin in the sale, rental or advertising of dwellings, in the provision of brokerage services, or in the availability of residential real estate-related transactions. Such protected classes do not exclude persons who have or are perceived to have HIV/AIDS. Failure to follow all required procedures or to apply program requirements consistently by protected class may result in discrimination and lead to administrative findings or legal action.

In implementing limits on assistance to non-citizens, PHAs must comply also with Section 504 of the Rehabilitation Act, which prohibits discrimination on the basis of any handicap or perceived handicap.

Where feasible, if applicants and participants are not proficient in English, PHAs are instructed to provide notices and documents related to these provisions in a language the individual understands.

Other Required Information

Participation in the housing choice voucher program places an obligation on the family to provide information required by HUD and the PHA when requested, and to cooperate in efforts to verify the information provided. Disclosure of Social Security numbers and signatures on HUD's release authorization form are minimum program requirements.

Disclosure of Social Security Numbers

The PHA must require applicants and program participants to disclose the Social Security numbers (SSN) of all family members age six or older as a condition of admission and continued assistance. Persons who have not been assigned a SSN must execute a certification stating that no SSN has been assigned. This process need occur only one time for each family member. New family members age six or older should be required to disclose or certify at the time the change in family composition is reported to the PHA or the next annual recitification after a family member reaches age six. A parent or guardian must provide the certification for a minor.

The PHA must document the SSN disclosed by each family member. If the family member cannot produce an original Social Security card issued by the Social Security Administration, the PHA may accept one of the following as verification if it includes the SSN:

- A driver's license with SSN.
- Identification card issued by a federal, state, or local agency.
- Identification card issued by a medical insurance company or provider (including Medicare and Medicaid).
- Identification card issued by an employer or trade union.
- Earnings statements on payroll stubs.
- Bank statements.
- IRS Form 1099.
- Benefit award letters from government agencies.
- Retirement benefit letter.
- Life insurance policies.
- Court records (real estate, tax notices, marriage and divorce, judgment, or bankruptcy records).

If applicants cannot produce an original Social Security card, they must certify that the document provided is complete and accurate.

Authorization for the Release of Information/Privacy Act

The PHA must require all adult applicants and participants (age 18 and over) to sign the Authorization for Release of Information/Privacy Act Notice (form HUD-9886) as a condition for admission and continued assistance. The form is valid for only 15 months and must be signed annually at each reexamination.

With each adult member of the household, the PHA should review the information that the form authorizes HUD and the PHA to collect. Once signed, the form provides authorization for the following:

- HUD and the PHA to obtain any information necessary from State Wage Information and Collection Agencies (SWICAs) to verify information provided at the time of application or recertification.

- HUD and the PHA to verify income information with previous and current employers that is pertinent to eligibility or level of assistance.

- HUD to request income tax return information from the IRS and Social Security Administration (SSA) to verify income related to eligibility or level of assistance.

The Privacy Act portion of the form informs applicants and participants that the information that is collected may be used for computer matching with other agencies including the SSA, the IRS, and SWICAs.

5.3 ANNUAL INCOME

Overview

Determinations of program eligibility and total tenant payment for the housing choice voucher program require that the applicant or participant family's annual income be computed at least annually. Regulations specify the amounts to be included in the calculation of annual income.

Definition of Annual Income

Annual income means all amounts, monetary or not, that go to or are on behalf of, the family head or spouse (even if temporarily absent) or to any other family member, or all amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date. Exhibit 5-2, *Income Inclusions*, is the complete definition of annual income as published in the regulations and *Federal Register* notices. Annual income means all amounts that are not specifically excluded by regulation.

EXHIBIT 5-2
INCOME INCLUSIONS AND EXCLUSIONS

INCOME INCLUSIONS

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, lotteries, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment (but see No. 13 under Income Exclusions);

(5) Payments in lieu of earnings, such as unemployment, worker's compensation, and severance pay (but see No. 3 under Income Exclusions);

(6) Welfare Assistance.
   a. Welfare assistance received by the household.
   b. The amount of reduced welfare income that is disregarded specifically because the family engaged in fraud or failed to comply with an economic self-sufficiency or work activities requirement.
   c. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustments by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare income to be included as income shall consist of:
      (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
      (ii) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and

(8) All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit (but see paragraph (7) under Income Exclusions).

EXHIBIT 5-2 – (CONTINUED)

INCOME EXCLUSIONS

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone);

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (but see No. 5 under Income Inclusions);

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(5) Income of a live-in aide (as defined by regulation);

(6) The full amount of student financial assistance paid directly to the student or to the educational institution;

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(8) (a) Amounts received under training programs funded by HUD;

(b) Amounts received by a person with disabilities that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(c) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(d) A resident service stipend. This is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the development. This may include, but is not limited to fire patrol, hall monitoring, lawn maintenance, and resident initiatives coordination and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time; or

(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.

(9) Temporary, nonrecurring, or sporadic income (including gifts). For example, amounts earned by temporary census employees whose terms of employment do not exceed 180 days (Notice PIH 2000-1).

(10) Reparations payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(11) Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) Deferred periodic payments of supplemental security income and social security benefits that are received in a lump-sum payment or in prospective monthly payments;

(14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;

(15) Amounts paid by a state agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; and

EXHIBIT 5-2 – (CONTINUED)

(16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the 1937 Act. A notice will be published in the *Federal Register* and distributed to PHAs identifying the benefits that qualify for this exclusion. Updates will be distributed when necessary. The following is a list of income sources that qualify for that exclusion:

a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 (b));
b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058);
c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c));
d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552(b); (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 (29 U.S.C. 2931);
g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub.L- 94-540, 90 Stat. 2503-04);
h) The first $2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, including the first $2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);
i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056(f));
k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent*-product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
m) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991 (26 U.S.C. 32(j));
o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
p) Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d));
q) Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);
r) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602); and
s) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

(17) Earned Income Disallowance for persons with disabilities [24CFR5.617]

(a) Initial Twelve Month Exclusion [24CFR5.617(C)(1)]
(b) Second Twelve Month Exclusion and Phase-In [24CFR5.617(C)2)
(c) Maximum Four Year Disallowance [24CFR5.617 (C) (3)

Annualizing Anticipated Annual Income

Once the PHA knows and verifies all sources of income are known and verified, the PHA must convert reported income to an annual figure. Convert periodic wages to annual income using the following:

- Multiply hourly wages by the number of hours worked per year (2080 hours for full-time employment with a 40 hour work week and no overtime).
- Multiply weekly wages by 52.
- Multiply bi-weekly wages (paid every other week) by 26.
- Multiply semi-monthly wages (paid twice each month) by 24.
- Multiply monthly wages by 12.

Generally the PHA should use current circumstances to anticipate annual income, unless verification forms indicate an imminent change (e.g., verification indicates an increase of 2.4 percent in Social Security benefits beginning on January 1).

PHAs may choose among several methods to determine the anticipated annual income. The following are two acceptable methods of calculating annual income:

- Calculating projected annual income by annualizing *current* income (and subsequently conducting an interim reexamination if income changes); or
- Using information available to average anticipated *income from* all known sources when the sources are expected to change during the year.

CALCULATING ANTICIPATED ANNUAL INCOME

A teacher's assistant works nine months annually and receives $1,300 per month. During the summer recess, the teacher's assistant works for the Parks and Recreation Department for $600 per month. The PHA may calculate the family's income using either of the following two methods:

- *Calculate Annual Income Based on Current Income*: $15,600 ($1300 x 12 months). An interim reexamination would then be conducted at the end of the school year to recalculate the family's income during the summer months at reduced annualized amount of $7200 ($600 x 12 months).
- *Calculate Annual Income Based on Average Experience*:

$11,700	($1300 x 9 months)
+ 1,800	($ 600 x 3 months)
$13,500	

Using the second method, an interim reexamination would *not* be conducted at the end of the school year. In order to use this method effectively, some history of income from all sources in prior years should be available.

Elements of Annual Income

Income from Assets

Annual income includes income from assets earned during the 12-month period and to which any family member has access. Section 5.4 discusses calculations related to income from assets.

Income of Dependents

A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student. The head of household, spouse, foster child, or live-in-aide are *never* dependents. Some income contributed to the household by dependents is counted and some is not.

Earned income of minors (family members 17 and under) *is not* counted.

Benefit or other *non-earned* income of minors *is* counted.

Although full-time students 18 years of age or older are technically identified as dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of $480 per year for full-time students, age 18 or older, who are not the heads of household or spouse. If the income is less than $480 annually, count it all. If the annual income exceeds $480, count $480 and exclude the amount that exceeds $480.

All income of a full-time student, 18 years of age or older, is counted if that person is the head of household or spouse.

Payments received by the family for the care of foster children or foster adults are *not* counted. This applies only to payments made through the official foster care relationships with local welfare agencies.

Income of Temporarily Absent Family Members

PHAs must count all income of family members whom the PHA has approved to reside in the unit, even if they are temporarily absent.

Regular Contributions and Gifts

PHAs must count as income any *regular* contributions and gifts (monetary or not) from persons outside the family. This may include rent and utility payments paid on behalf of the family and other cash or non-cash contributions provided on a regular basis.

REGULAR CONTRIBUTIONS AND GIFTS EXAMPLES

1. A divorced woman and her three children are housing choice voucher program participants. The former husband does not pay child support, but each month he brings the family groceries, clothing, or money. On average he provides $100 each month in goods or cash. The $100 value per month is included in the family's annual income.

2. The daughter of an elderly housing choice voucher participant pays the mother's $175 share of rent each month. The $175 value must be included in the participant's annual income.

Temporary Income

Temporary, non-recurring, or sporadic income (including gifts) is not counted.

Income from a Business (Includes Self-Employment Income)

Include the *net income* from operation of a business or profession.

Generally, net income equals gross income less business expense.

Straight-line depreciation of capital assets used in the business or profession may be deducted as a business expense. Interest payments on business loans, and all business expenses other than expenses for expansion or capital improvements are also eligible business expenses. However, expenditures for amortization of capital indebtedness may not be deducted.

Withdrawal of cash or assets from a business is counted as income except when the withdrawal is for reimbursement of amounts the family has invested in the business.

CAPITAL ASSETS AND BUSINESS EXPENSES

A self-employed house painter owns a truck he uses for his business as well as several ladders, buckets and spray paint guns. He also purchases paint rollers and hand brushes each time he is hired to do a job. The painter may deduct as business expenses the depreciation on his truck and ladders (capital equipment) as well as the cost of the paint, paint thinner, disposable rollers and paint brushes he purchases throughout the year.

Student Financial Assistance

All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income. This is true whether the assistance is paid to the student or directly to the educational institution.

State or Local Employment Training Programs

Exclude incremental earnings received from qualified employment training programs and training of resident management staff.

- A qualified training program is one that is part of a state or local employment training program and has clear goals and objectives. This would include programs that have the goal of assisting participants in obtaining employment skills, and are authorized or funded by federal, state, or local law, or operated by a public agency.

- Only exclude the compensation related to the training; other sources of household income are still included.

- Exclude the income only for the period during which the family member participates in the employment training program.

Public Assistance Income in As-Paid Localities

Special calculations of public assistance income are required for "as-paid" state, county, or local public assistance programs.

An "as-paid" system is one in which the family:

- Receives an amount from a public agency specifically for shelter and utilities; *and*

- The amount is adjusted based upon the actual amount the family pays for shelter and utilities.

Since there are variations in how as-paid localities calculate shelter and utility, the PHA should discuss the rules for computing income and rents for welfare recipients with the HUD field office.

The public assistance amount specifically designated for rent and utilities is called the "welfare rent".

In general, the welfare rent is treated as a "pass through" from the welfare agency to the PHA.

To determine annual income for public assistance recipients in "as-paid" localities, include:

- The amount of the family's grant for other than shelter and utilities; plus

- The maximum amount the welfare department can pay for shelter and utilities for a family of that size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.

CALCULATING THE "WELFARE RENT"

At application a family's welfare grant is $300, which includes $125 for basic needs and $175 for shelter and utilities (based upon where the family is now living). The maximum the welfare agency allows, however, for shelter and utilities for a family of this size is $190.

Count as Income:

$125	Basic Needs
+$190	Shelter and Utilities
$315	Monthly Public Assistance Income

In some as-paid systems, the shelter and utilities payment is "ratably reduced". (The grant the family actually receives is reduced from the scheduled amount by a percentage.)

In these circumstances, the income to be counted is the maximum amount payable for shelter and utilities reduced by the appropriate percentage.

Treatment of Reductions in Welfare Assistance

A voucher participant does not receive a reduced family share when the family's welfare grant is reduced as the result of fraud, failure to participate in an economic self-sufficiency program, or failure to comply with a work requirement.

Before determining annual income when there has been a reduction in the welfare grant, the PHA must receive written verification from the welfare agency that the benefit reduction was caused by noncompliance or fraud before denying a family's request for a reexamination of income and rent reduction.

The prohibition against reducing rent does not apply when welfare benefits are lost because the lifetime limit on receipt of benefits has expired or in a situation where the family has complied with welfare program requirements but cannot obtain employment.

The amount that the welfare benefit has been reduced because of fraud or a sanction for noncompliance with requirements to participate in an economic self-sufficiency program is identified as the "imputed welfare income". The family's annual income includes the amount of the imputed welfare income plus the total amount of other annual income.

The amount of imputed welfare income is offset by income from other sources received by the family that start after the sanction is imposed. Therefore, if the family has found employment in the time between the sanction and the income certification, the new employment income would be subtracted from the imputed welfare income. If the new employment income were to be greater than the imputed welfare income, there would be no need to include the imputed welfare income in the determination of annual income.

"IMPUTED WELFARE INCOME"

The family's welfare grant was		$3600
The family's welfare grant was reduced by		$3600
The "imputed welfare income" equals		$3600
When the family comes in for reexamination its other annual income from before the sanction is		$2000
The family's total annual income is (the "imputed welfare income" plus all other income)		$5600

At its next reexamination, the family reports income from a new part-time job in the amount of (The family's other income is unchanged.)		$2000
	$3600	
The new income is subtracted from the	$2000	
"imputed welfare income"	$1600	
The amount remaining is added		$1600
To the other annual income		2000
Total annual income		$3600

PHAs are required to make good faith efforts to enter into cooperation agreements with local welfare agencies, both to obtain the necessary information regarding welfare sanctions and to target economic self-sufficiency and other services to housing choice voucher program families. Any housing choice voucher family whose assistance is adversely affected because of PHA enforcement of these requirements must be notified of its right to an informal hearing.

Income of Confined Family Members

If a former family member is confined to a nursing home or hospital on a permanent basis, that person is no longer a member of the assisted household and the income of that person is not counted.

Alimony or Child Support

PHAs must count alimony or child support amounts awarded as part of a divorce or separation agreement *unless* the PHA verifies that the payments are not being made.

The PHA must determine what documentation is required to show that the family receives less than the court-ordered amount. For example, if the household has filed with the local support enforcement agency, print-outs from the agency may indicate the frequency and amount of payments actually received.

Lump Sum Payments Counted as Income

Generally, lump sum amounts received by a family, such as inheritances, insurance settlements, or proceeds from sale of property are considered assets, not income.

When Social Security or SSI benefit income is paid in a lump sum as a result of deferred periodic payments, that amount is excluded from annual income.

However, lump sum payments caused by delays in processing periodic payments for unemployment or welfare assistance are included as income. However, any portion of the lump sum that is payment for a period prior to the family's participation in the housing choice voucher program would be counted as an asset instead of as annual income. A lump sum payment resulting from delayed benefit or other income may be treated in either of the two ways illustrated in the interim reexamination shown on the next page.

TREATMENT OF DELAYED BENEFIT PAYMENTS RECEIVED IN A LUMP SUM

Family loses job on October 19 and applies for unemployment benefits. The family receives a lump sum payment of $700 in December to cover the period from 10/20 to 12/5 and begins to receive $100 a week effective 12/6.

Option A: PHA processes one interim reexamination immediately effective 11/1and a second interim after unemployment benefits are known.

	10/1	11/1	12/1	1/1	2/1
Monthly Gross income	800	*0	*0	492**	492**
Monthly Allowances (3 minors x 480 – 12 month)	120	-	-	120	120
Monthly Adjusted Income	680	0	0	372	372
Total Tenant Payment	204	0	0	0***	112***

* The family's income is calculated at $0/month beginning November 1, continuing until benefits actually begin and new income is calculated.

** Family's actual income for 1/1 is $100/week x 52 weeks = $5,200) 12 = $433.
However, because the family's TTP was calculated at zero income for the months of November and December (the period eventually covered by the the $700 lump sum payment), the annual income to be used in calculating monthly gross income should be:

$100/week benefit x 52 weeks = $5,200 + $700 lump sum payment = $5,900 annual gross income) 12 = $492.

*** Increased rent does not start until 2/1 in order to give family notice of rent increase.

TREATMENT OF DELAYED BENEFIT PAYMENTS: OPTION B

Option B: PHA processes one interim reexamination after unemployment benefits are known.

	10/1	11/1	12/1	1/1	2/1
Monthly Gross Income	800	0/800*	0/800*	433*	433*
Monthly Allowances (3 Minors x 480) 12 Months)	120	120	120	120	120
Monthly Adjusted Income	680	0/680	0/680	313	313
Total Tenant Payment	204	204*	204*	94	94
Recalculated TTP	-	94***	94*	94	94
Rent Credit (204-94=)	-	110	110	-	-

* Family's actual income for 11/1 and 12/1 is zero but because the PHA does not process an interim reexamination, the family's TTP continues to be calculated using $800 as monthly gross income. Beginning 1/1, monthly gross income is known to be $100/week, or $433/month.

** The lump sum payment is taken into account by making the recertification retroactive to ll/1. Annual income is calculated as $5,200) 12 = $433 monthly gross income.

*** TTP for November and December recalculated as $433 monthly gross income and $313 monthly adjusted income x .30 = 94 with credit or refund to family of $110/month for each of these two months for difference between TTP paid of $204 and recalculated TTP of $94.

5.4 DETERMINING INCOME FROM ASSETS

PHAs are required to include in the calculation of annual income any interest or dividends earned on assets held by the family. See paragraph (3) under Exhibit 5-2 for the full HUD definition of asset income to be included in the calculation of annual income, and see Exhibit 5-3, *Summary of Asset Inclusions and Exclusions,* for a more detailed description.

Calculation When Assets Exceed $5,000

When net family assets are $5,000 or less, use the actual income from assets.

When family assets are more than $5,000, use the greater of:

- Actual income from assets; or
- A percentage of the value of such assets based upon the current passbook savings rate as established by HUD. This is called imputed income from assets.

EXHIBIT 5-3
SUMMARY OF ASSET INCLUSIONS AND EXCLUSIONS

A. ASSETS INCLUDE:	B. ASSETS DO NOT INCLUDE:
1. Amounts in savings and checking accounts. 2. Stocks, bonds, savings certificates, money market funds and other investment accounts. 3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the assets *and* reasonable costs (such as broker fees) that would be incurred in selling the assets. 4. The cash value of trusts that may be withdrawn by the family. 5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in a penalty. 6. Some contributions to company retirement/ pension funds. Note the discussion below on accessibility of the funds. 7. Assets, which although owned by more than one person, allow unrestricted access by the applicant. 8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims. 9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc. 10. Cash value of life insurance policies. 11. Assets disposed of for less than fair market value during the two years preceding certification or recertification.	1. Necessary personal property, except as noted in A.9. 2. Interest in Indian trust lands. 3. Assets that are part of an active business or farming operation. 4. *NOTE*: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's/tenant's main occupation. 5. Assets not controlled by or accessible to the family and which provide no income for the family. 6. Vehicles especially equipped for the disabled. 7. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

NOTE: A key factor in whether or not to include an asset in the calculation of annual income is whether any member of the family has access to the asset.

COMPARE ACTUAL INCOME FROM ASSETS TO IMPUTED INCOME FROM ASSETS

Applicant has $7,900 in assets. (Assume passbook rate of 3.5 percent.)

Applicant actual income from assets is paid at 1.5% simple interest annually - $119.

Assets:	$ 7,900
HUD-determined passbook rate	x .035
Inputed income from assets	$ 277

Compare actual interest of $119 to imputed interest of $277. The interest of $277 (the greater of the two) will be used as income from assets in the calculation of annual income.

Additional Guidance On Calculating The Value Of Assets And Income From Assets

Contributions to Company Retirement/Pension Funds

While an individual is employed, count as an asset only amounts the family could withdraw from a company retirement or pension fund without retiring or terminating employment.

After retirement or termination of employment, count as an asset any amount the employee elects to receive as a lump sum from the company retirement/pension fund.

Include in *annual income* any retirement benefits received through periodic payments.

In order to correctly include or exclude as assets any amount now held in retirement/pension funds for employed persons, the PHA must know whether the money is accessible before retirement.

Equity in Real Property

Real property includes land or real estate owned by the applicant or participant household. Equity is the portion of the market value of the asset which is owned by the applicant/participant (the amount which would be available to the household if the property were to be sold). It is equal to the market value less any mortgage or loans secured against the property (which must be paid off upon sale of the property).
Calculate equity in real property as follows:

Market Value - Loan (Mortgage) = Equity

Calculate the cash value of real property as follows:

Equity - Expense to Convert to Cash = Cash Value

Expenses to convert to cash may include costs such as sales commissions, settlement costs, and transfer taxes.

Assets Disposed of for less than Fair Market Value

At initial certification or reexamination, PHAs must ask whether a household has disposed of an asset for less than its market value within the past two years. If the family has, the PHA must determine the difference between the cash value of the asset at time of sale or other disposal and the actual payment received of for the asset.

Generally, assets disposed of as a result of a divorce, separation, foreclosure, or bankruptcy are *not* considered assets disposed of for less than fair market value. Some of the types of assets that must be considered include cash, real property, stocks, bonds, and certificates of deposit. They must be counted if the household gave them away or sold them for less than the market value.

HUD does not specify a minimum threshold for counting assets disposed of for less than fair market value. A PHA may establish a threshold in its administrative plan that will enable the PHA to ignore small amounts such as charitable contributions. (HUD Handbook 4350.3, for multifamily subsidized housing, uses $1,000 as a threshold.)

ASSET DISPOSED OF FOR LESS THAN FAIR MARKET VALUE: REAL ESTATE

Mrs. Jones "sold" her home to her daughter for $5,000. The home was valued at $19,500 and had no loans secured against it. Mrs. Jones paid broker's fees and settlement costs of $1,700 (8.7% of the sales price – this is a realistic estimate for the locality). The amount to be included in family assets is $12,800.

$19,500	(Market Value)
- 1,700	(Expense to Convert to Cash)
$17,800	(Cash Value)
- 5,000	(Amount Received when Asset Disposed)
$12,800	(Value of Asset Disposed for Less than Fair Market Value)

ASSET DISPOSED OF FOR LESS THAN FAIR MARKET VALUE: STOCKS

Ten months ago the Daniel family gave their son 300 shares of ABC, Inc. stock. The market value was $3,735 ($12.45/share). They incurred a broker's fee of $175 for the transaction.

$ 3,735.00	(Market Value)
- 175.00	(Expense to Convert to Cash)
$ 3,560.00	(Cash Value)
- 00	(Amount Received when Asset Disposed)
$ 3,560.00	(Value of Asset Disposed for Less than Fair Market Value)

Verification of assets disposed of for less than fair market value is generally done by applicant certification. PHAs need verify only those certifications that warrant documentation.

Valuing Assets

Because of the requirement to include the greater of the actual interest/dividend income earned or a percentage based upon a HUD published passbook rate when assets are greater than $5,000, the value of assets *may* affect the family's annual income.

The PHA must determine the *market value* of the asset and then calculate the *cash value* by subtracting the estimated expense required were the family to convert the asset to cash.

Expense to convert to cash includes costs such as:

- Penalties for premature withdrawal (e.g. the 10% penalty paid when a retirement account is closed prior to retirement age, or a certificate of deposit is withdrawn prior to maturity);
- Broker and legal fees (e.g. a percentage of the value of the asset incurred in the sale of stocks, bonds, real estate, etc.); and
- Settlement costs incurred in real estate transactions (e.g. the typical percentage of sales price for settlement in the locality).

NOTE: PHAs must not require families to dispose of assets in order to determine the costs to convert to cash. These amounts simply reflect a realistic estimate of costs, and by deducting them from the market value of the asset, the imputed income from the asset is based on an amount the family would have in hand if they converted their assets to cash.

5.5 ADJUSTED INCOME

Definition of Adjusted Income

Adjusted income is the annual income of the members of the family residing in or intending to reside in the dwelling unit, less the following mandatory deductions:

- $480 for each dependent;
- $400 for any elderly family or disabled family;
- Child care;
- Disability assistance; and.
- Medical expenses

Dependent Allowance

The family receives an allowance of $480 for each family member who is 1) under 18 years of age, 2) a person with disabilities, or 3) a full-time student.

A household head, spouse, foster child, or live-in aide may *never* be counted as a dependent.

A full-time student is one carrying a full time subject load (as defined by the institution) at an institution with a degree or certificate program.

Elderly or Disabled Household Allowance

An elderly or disabled family is any family in which the head or spouse (or the sole member) is at least 62 years of age *or* a person with disabilities.

Each elderly or disabled family receives a $400 household allowance. Because this is a "household allowance" each household receives only one allowance, even if both the head and the spouse are elderly.

Child Care Allowance

Reasonable child care expenses for the care of children including foster children, age 12 and younger, may be deducted from annual income if all of the following are true:

- The care is necessary to enable a family member to work, look for work, or further his/ her education (academic or vocational);
- The expense is not reimbursed by an agency or individual outside the household; and
- The expenses incurred to enable a family member to work do not exceed the amount earned.

Child support payments made to another on behalf of a minor who is not living in the applicant household are not child care and *cannot be deducted*.

Care expenses for the care of disabled family members over the age of 12 cannot be deducted as a child care expense, but see the section on *Allowance for Disability Assistance Expenses* below.

When more than one family member works, the PHA must determine which family member is being enabled to work because child care is provided. This is necessary because the child care allowance cannot exceed the income that family member earns. A good general rule is to assume that the child care expenses enable the lowest paid individual to work, unless this is obviously not the case.

When a family member works and goes to school, the PHA must prorate the child care expense so that the portion of the total child care expense that is specifically related to the hours the family member works can be compared with the amount earned.

PHAs must determine whether child care costs are "reasonable". Reasonable means reasonable for the care being provided. Reasonable costs for in-home care may be very different from reasonable day-care center costs. Families may choose the type of care to be provided. The PHA may not decide that the family may receive a deduction only for the least expensive type of care available.

Allowance for Disability Assistance Expense

Families are entitled to a deduction for unreimbursed expenses to cover care attendants and auxiliary apparatus for any family member who is a person with disabilities, to the extent these expenses are necessary to enable a family member (including the member who is a person with disabilities) 18 years of age or older to be employed.

EXAMPLES OF ELIGIBLE DISABILITY ASSISTANCE EXPENSES

The payments made on a motorized wheelchair for the 42 year old son of the head of household enable the son to leave the house and go to work each day on his own. Prior to the purchase of the motorized wheelchair, the son was unable to make the commute to work. These payments are an eligible disability assistance expense.

Payments to a care attendant to stay with a disabled 16-year-old child allow the child's mother to go to work every day. These payments are an eligible disability assistance allowance.

This allowance is equal to the amount by which the cost of the care attendant or auxiliary apparatus exceeds three percent (3%) of gross annual family income. However, the allowance may not exceed the earned income received by the family member who is 18 years of age or older who is able to work because of such attendant care or auxiliary apparatus.

Auxiliary apparatus are items such as wheelchairs, ramps, adaptations to vehicles, or special equipment to enable a blind person to read or type, but only if these items are directly related to permitting the disabled person or other family member to work.

CALCULATION OF THE ALLOWANCE FOR DISABILITY ASSISTANCE EXPENSES

Head	36	Earned Income	$12,000
Spouse	35	Earned Income	$10,000
Son	15		

Expenses for care of disabled son = $3,500

Disability Assistance Allowance:

$22,000	Annual Income
x .03	
$ 660	3% of Annual Income
$ 3,500	Total disability assistance expenses
- 660	
$ 2,840	*Allowable* disability assistance expenses

NOTE: $2,840 is less than the income earned, so the full allowance may be deducted.

Allowance for Medical Expenses

The medical expense deduction is permitted only for households in which the head or spouse is at least 62 or disabled (elderly or disabled households).

If the household is eligible for a medical expense deduction, the medical expenses of all family members may be counted (e.g., the orthodontist expenses for a child's braces may be deducted if the household is an elderly or disabled household).

Medical expenses are expenses anticipated to be incurred during the 12 months following certification or reexamination which are not covered by an outside source such as insurance. The medical allowance is not intended to give a family an allowance equal to last year's expenses, but to anticipate regular ongoing and anticipated expenses during the coming year.

Not all elderly or disabled applicants or participants are aware that their expenses for medical care are included in the calculation of adjusted income for elderly or disabled households. For that reason, it is important for PHA staff to probe for information on allowable medical expenses. These may include:

- Services of doctors and health care professionals.
- Services of health care facilities.
- Medical insurance premiums.

- Prescription/non-prescription medicines (prescribed by a physician).
- Transportation to treatment (cab fare, bus fare, mileage).
- Dental expenses, eyeglasses, hearing aids, batteries.
- Live-in or periodic medical assistance.
- Monthly payment on accumulated medical bills (regular monthly payments on a bill that was previously incurred). The allowance may include only the amount expected to be paid in the coming 12 months.

If a family has medical expenses and no disability assistance expenses, the allowable medical expense is that portion of total medical expenses that exceeds three percent of annual income.

CALCULATING MEDICAL EXPENSES

Head	64	Spouse	63

Annual Income	$12,000
Total Medical Expenses	$ 1,500

$12,000	Annual Income
x .03	
$ 360	3% of Annual Income

$ 1,500	
- 360	
$ 1,140	Allowable Medical Expense

Special Calculation for Households Eligible for Disability Assistance and Medical Expenses

If an elderly family or disabled family has both medical expenses and disability assistance expenses, a special calculation is required to insure that the family's three-percent share of these expenses is applied only one time. Because the allowance for disability assistance expenses is limited by the amount earned by the person freed for work, the disability allowance must be calculated before the medical allowance is calculated.

When the family has disability assistance expenses greater than or equal to three percent of annual income, an allowance for disability assistance expenses is computed as described above. In such an instance, the allowance for medical expenses will be equal to the family's total medical expenses.

EXAMPLE:
DISABILITY ASSISTANCE AND MEDICAL EXPENSES

An elderly family has $2,000 in medical expenses and $3,000 in expenses for disability assistance. Annual income is $20,000. $2,400 of annual income is earned because the disability assistance enables a family member to work. Three percent of annual income is $600.

Total Disability Assistance Expense:	$3,000
Less: Three percent of Annual Income:	- 600
	$2,400
Disability Assistance Allowance:	$2,400
Total Medical Expense: (entire 3% of annual income deducted to compute disability allowance)	$2,000

When a family has disability assistance expenses that are less than three percent of annual income, the family will receive no allowance for disability assistance expense. However, the allowance for medical expenses will be equal to the amount by which the sum of both disability and medical expenses exceeds three percent of annual income.

EXAMPLE:
DISABILITY ASSISTANCE AND MEDICAL EXPENSES

An elderly family has $1,000 in medical expenses and $500 in expenses for disability assistance. Annual income is $20,000. $4,000 of annual income is earned because the disability assistance enables a family member to work. Three percent of annual income is $600.

Total Disability Assistance Expense:	$ 500
Less: Three percent of Annual Income	- 600
	($ 100)
Disability Assistance Allowance:	$ 0
Total Medical Expense:	$1,000
Less: Balance of 3% of Annual Income:	- 100
Medical Expense Allowance:	$ 900

If the disability assistance expense exceeds the amount earned by the person who was freed for work, the allowance for disability assistance will be capped at the amount earned by that individual. When the household is also eligible for a medical expense allowance, however, the three percent may have been exhausted in the first calculation and it then will not be applied to medical expenses. The following example illustrates application of the cap on disability

allowance permitting a maximum allowance equal to the income earned by the household member enabled to work.

EXAMPLE:

DISABILITY ASSISTANCE AND MEDICAL EXPENSES

An elderly family has $2,000 in medical expenses and $3,500 in expenses for disability assistance. Annual income is $20,000. $2,400 of annual income is earned because the disability assistance enables a family member to work. Three percent of annual income is $600.

Total Disability Assistance Expense:	$3,500
Less: Three percent of Annual Income	- 600
	$2,900
Disability Assistance Allowance:	$2,400
(cannot exceed $2,400 income generated)	
Total Medical Expense:	$2,000
(entire 3% of Annual Income was deducted to compute the disability allowance)	
Medical Expense Allowance:	$2,000

Errors in Determining Annual and Adjusted Income

There are two major sources of most errors in calculating annual income. Those are: 1) applicants and participants failing to fully disclose all income information; and 2) incorrect allowance calculations often resulting from failure to obtain third party verification.

5.6 VERIFICATION OF FACTORS AFFECTING ELIGIBILITY AND FAMILY RENT

Accurate detemination of income eligibility, allowances, and family rent can occur only with full verification of all factors related to income and family circumstances. While the regulations regarding verification are brief, this activity takes a significant amount of time and attention in administration of the program. Well-designed verification procedures are essential to obtaining full and accurate information, which is essential for the best use of program funds and fair and equitable treatment of all participants.

The tenant file must include third party verification of the following factors:

- Reported family annual income;
- The value of assets;
- Expenses related to deductions from annual income; and
- Other factors that affect the determination of adjusted income.

If third party verification is not available, the file must document efforts to obtain it and why they were unsuccessful.

Third party verification is also required for all factors which affect eligibility and preference. Exhibit 5-5 indicates the appropriate types of third party verification and other sources of verification which may be used when third party verification cannot be obtained.

A PHA policy regarding verification can be helpful in assuring consistent documentation. Such a policy might require that staff mail initial requests for written verification to the source of income (or expense). If the information is not returned within a specified number of days, the PHA may attempt telephone verification. If both written and oral third party verification attempts fail, the applicant or participant may be required to provide documents as verification. The client file must include notes as to why documents provided by the client have been used instead of the preferred third party verification.

A PHA may resort to use of family certification of facts only when neither a third party nor documents are available. The client file would include notes documenting efforts to obtain third party verification and documents for review and an explanation why those were not obtained.

5.7 DENIAL OF ASSISTANCE

An applicant may be denied assistance under the housing choice voucher program only for program violations that are identified as grounds for denial of assistance. Denial of assistance includes:

- Denial of listing on the PHA waiting list;
- Denial or withdrawal of a voucher;
- Refusal to enter into a HAP contract or approve a unit; and
- Refusal to process or provide assistance through portability.

Assistance must be denied for each of the following reasons:

- The applicant does not meet the eligibility criteria described earlier in this chapter (e.g., the applicant family's annual income exceeds the income limit for a family of that size).

- Any adult family member refuses to sign or submit required consent forms (such as the authorization for release of information form or the declaration of citizenship and non-citizen status).

- Any family member has been convicted of manufacturing or producing methamphetamine (commonly referred to as "speed") on the premises of an assisted housing project (including the building or complex in which the unit is located and the associated common areas and grounds).

While the PHA is required to deny assistance to applicants for the reasons listed above, PHAs must establish local policies concerning denial of assistance to applicants for the following reasons:

- The family has violated program obligations. (See Exhibit 5-4.)

EXHIBIT 5-4
FAMILY OBLIGATIONS

Family obligations under the housing choice voucher program include:

- Supplying required information deemed necessary by HUD or the PHA to administer the program. This includes information related to the calculation of income, family composition, signatures on consent forms, submission of documents related to eligible immigration status, and disclosure and verification of social security numbers.
- Responsibility for any breach of HQS caused by the family.
- Permitting HQS inspections.
- Complying with the lease.
- Submitting notices to the PHA and owner before moving out of unit or terminating the lease.
- Supplying the PHA with any eviction notice received from the owner.
- Using the assisted unit as the family's only residence and providing notification of any changes in household composition including the departure of a household member.
- May not sublet or assign the lease.
- May not be absent in violation of the PHA policy on absences from the unit and must provide PHA-requested information on the purposes of family absences.
- Must not own or have any interest in the unit, except ownership in a cooperative.
- Must not be receiving any other form of tenant-based or duplicative assistance.
- Must not engage in drug-related criminal or violent criminal activity.
- Must not commit fraud, bribery or any other corrupt or criminal act in connection with the program.

- Any family member has been evicted from public housing.
- The PHA has terminated assistance for any family member under the certificate or voucher program.
- Any member of the family has commited drug-related criminal activity or violent criminal activity (see further discussion below).
- Any member of the family has commited fraud, bribery, or any other corrupt or criminal act related to any federal housing program.

Crime by Family Members

- The family currently owes rent or other amounts to the PHA or another PHA for amounts in connection with the housing choice voucher, certificate, moderate rehabilitation, or public housing programs.
- The family has not reimbursed any PHA for amounts paid to an owner under a HAP contract for rent, damages to the unit, or other amounts owed by the family under the lease.
- The family has breached an agreement with the PHA to pay amounts owed to a PHA or amounts paid to an owner by a PHA.

If the PHA denies assistance to an applicant because of illegal use, or possession for personal use, of a controlled substance, such use or possession must have occurred within one year before the date that the PHA provides notice to the family of the determination to deny assistance. The PHA cannot deny assistance for such use or possession by a family member, if the family member can demonstrate that he or she:

- Has an addiction to a controlled substance, has a record of such an impairment, or is regarded as having such an impairment; and
- Is recovering, or has recovered from, such addiction and does not curently use or possess controlled substances. The PHA may require a family member who has engaged in the illegal use of drugs to submit evidence of participation in, or successful completion of, a treatment program as a condition to being allowed to reside in the unit.

In determining whether to deny assistance based on drug-related cirminal activity or violent crimial activity, the PHA may deny assistance if the preponderance of evidence indicates that a family member has engaged in such activity, regardless of whether the family member has been arrested or convicted.

PHA Discretion to Consider Circumstances

In deciding whether to deny or terminate assistance because of action or failure to act by members of the family, the PHA has discretion to consider any of the circumstances in each particular case, including the seriousness of the case, the extent of participation or culpability of individual family members, and the effects of denial or termination of assistance on other family members who were not involved in the action or failure to act.

The PHA may impose, as a condition of continued assistance for other family members, a requirement that family members who participated in or were culpable for the action or failure will not reside in the unit. The PHA may permit the other members of a participant family to continue receiving assistance.

MAKING THE DECISION TO DENY ASSISTANCE

In each instance before making a decision to deny housing choice voucher program assistance, PHA staff will want to consider the specific circumstances of the family under review and determine if denial is the best response.

In some instances, the PHA may determine that the seriousness of the situation does not warrant denial. For example, a family whose assistance was terminated for failure to recertify may be evaluated differently than an applicant family who was terminated from public housing for wanton destruction of public housing property.

Timing may also influence the judgment of PHA staff. A family that was terminated very recently for failure to recertify might be denied, while staff might determine that a family evicted from public housing 10 or 12 years ago for property destruction might be given more consideration, particularly if more recent evidence suggests a change in family behavior.

Similarly, if damage caused by a family evicted 10 years ago was attributed to a teenager no longer living with the family, admission to the program might seem a reasonable decision.

5.8 SCREENING

The housing choice voucher program is a rental assistance program designed to provide subsidy in the private rental market. Typical private market rental management practices by owners are encouraged, including screening voucher holders for their suitability as tenants. The PHA's selection of a family to participate in the voucher program is not in any way an endorsement of tenancy nor a prediction of positive family behavior.

Owners are encouraged to screen families on the basis of their tenancy histories and to inquire about factors such as:

- Payment of rent and utility bills;
- Caring for a unit and premises;
- Respecting the rights of others to the peaceful enjoyment of their housing;
- Drug-related criminal activity or other criminal activity that is a threat to the life, safety, or property of others; and
- Compliance with other essential conditions of tenancy.

Before approval of an assisted tenancy, the PHA must tell the owner that screening for suitability is the owner's responsibility. If the PHA has adopted a screening plan, as described below, the PHA should also inform the owner of the specific type of screening conducted.

The PHA is required to provide the owner with:

- The family's current and prior address (as shown in the PHA records); and
- The name and address (if known) of the landlord at the family's current and prior addresses.

This information is intended to assist the owner in conducting his or her own screening.

The PHA may choose to provide a prospective owner with additional information it possesses about the family, including information about the tenancy history of family members or about drug-trafficking by family members. If the PHA chooses to provide such information, it should describe how the information was obtained, and encourage the owner to confirm such information.

When developing such a policy, the PHA should consider a whether all information contained in the tenant file should be provided, or if the PHA should provide only information that has been independently confirmed.. The policy must provide that the PHA will give comparable information about all families to all owners.

The PHA must provide each family with a statement of PHA policy on providing information to owners. The statement describing the policy must be included in the information packet that is given to each family selected to participate in the program.

SAMPLE POLICY ON INFORMATION PROVIDED TO OWNERS

When the family submits a request for tenancy approval, the PHA will provide the prospective owner with the family's current and prior address as shown in the PHA's records. If the PHA has this information, it will also provide the name and address of the landlord at the family's current and prior address.

The PHA will inform the owner that it is the landlord's responsibility to screen prospective tenants for suitability as tenants as evidenced by the family's previous rental history. When the PHA has information related to a family's previous tenancies, the PHA will inform the landlord that the information is available and provide it upon a written request from the landlord. Information will be provided when it is part of the PHA tenant file from a previous housing choice voucher, certificate, moderate reliabilitation, or public housing tenancy, or when the PHA has been able to verify that information it has regarding any other tenancy is reliable. Only the Housing Coordinator may provide information about previous tenancies other than landlord names and addresses. The information may be provided in writing or during an in- person meeting with the prospective landlord. Any information available to the PHA about any potential housing choice voucher program will be provided upon landlord request.

All new families and all families preparing to move will be informed about this policy through information included in the information packet provided at the briefings for new and moving families.

Screening by the PHA

Screening family behavior or suitability for tenancy is a practice which PHAs may adopt to preclude families with poor rental histories from participation in the program. However, even when it adopts screening, the PHA has no liability or responsibility to the owner or other person for the family's behavior or the family's conduct in tenancy.

Performing screening on program applicants and denying program participation for those who have poor rental histories may be a good marketing tool within the community, and may potentially reduce the number of terminations of assistance for program and lease violations. Owner outreach may be more successful if the PHA can describe a reasonable screening methodology that weeds out applicants with specific types of undesirable tenancy behaviors.

However, the PHA must carefully communicate the fact that this screening is not a guarantee of good behavior by voucher holders and that it does not replace the screening an owner may choose to conduct.

A PHA that has adopted a screening policy must include a statement of its policy in the information packet given to each family. The PHA's policy must provide that the PHA will give the same types of information to all families and to all owners.

5.9 DETERMINATION OF UNIT SIZE REQUIREMENTS

The appropriate number of bedrooms needed by an applicant family must be determined by the PHA when it determines family eligibility for a housing choice voucher. The PHA must establish standards that determine the number of bedrooms needed for families of different sizes and composition. For each family, the PHA determines the appropriate number of bedrooms under the subsidy standards. Family unit size is entered on the housing choice voucher issued to the family.

The following requirements apply when determining the family unit size:

- The subsidy standards must provide for the smallest number of bedrooms needed to house a family without overcrowding.
- The subsidy standards must be consistent with space requirements under the housing quality standards (HQS).
- The subsidy standards must be applied consistently for all families of like size and composition.
- A child who is temporarily away from the home because of placement in foster care is considered a member of the family in determining the family's unit size.
- A family that consists of a pregnant woman only, and (no other persons), must be treated as a two-person family.
- Any live-in aide (approved by the PHA to reside in the unit to care for a family member who is disabled or is at least 50 years of age) must be counted in determining the family unit size.
- Two elderly or disabled household members may be given separate bedrooms.
- Unless a live-in-aide resides with the family, the family unit size for any family consisting of a single person must be either a zero or one-bedroom unit, as determined under the PHA's subsidy standards.

In determining family unit size for a particular family, the PHA may grant an exception to its established subsidy standards if the PHA determines that the exception is justified by the age, sex, health, handicap, or relationship of family members or other personal circumstances. (For a single person other than a disabled or elderly person or a remaining family member, such exception may not override the requirement of providing only a zero or one-bedroom unit to a single person.)

Typical PHA Standards Used to Issue Housing Choice Voucher			Standards Used to Determine Acceptability of Unit Size (HQS Rules)	
Housing Choice Voucher Size	Minimum No. of Persons in Household	Maximum No. of Persons in Household	Unit Size	Maximum Occupancy Assuming a Living Room Is Used as a Living/ Sleeping Area
0-BR	1	1	0-BR	1
1-BR	1	2	1-BR	4
2-BR	2	4	2-BR	6
3-BR	4	6	3-BR	8
4-BR	6	8	4-BR	10
5-BR	8	10	5-BR	12
6-BR	10	12	6-BR	14

5.10 NON-DISCRIMINATION AND EQUAL OPPORTUNITY REQUIREMENTS

Overview

PHAs must comply with the following non-discrimination and equal opportunity requirements:

- Executive Orders 11246, 11625, 12138, 12432, and 12259, 46FR 1253 (1980) as amended;
- Executive Order 11063, which prohibits discrimination based on religion or sex;
- Title VI of the 1964 Civil Rights Act, which prohibits discrimination based on race, color, or national origin;
- Section 3 of the Housing and Urban Development Act of 1968;
- The Fair Housing Act (Title VIII of the 1968 Civil Rights Act) which prohibits discrimination in the sale, rental, or financing of housing on the basis of race, color, religion, sex, national origin, handicap, or familial status (which refers to the age and number of children in the family and pregnant women);
- Section 504 of the Rehabilitation Act of 1973;
- The Age Discrimination Act of 1975; and
- Title II of the Americans with Disabilities Act (ADA) (see HUD Notice PIH 95-48).

The PHA is required to make the housing choice voucher program available and accessible to all eligible families and must provide a family with information on how to complete and file a housing discrimination complaint if a family claims illegal discrimination because of race, color, religion, sex, national origin, age, familial status, or disability.

The Fair Housing Act amendments ensure that persons with a disability and families with children are not discriminated against.

It is unlawful to discriminate in private or federally assisted housing against households including one or more persons under age 18 in the household or against people who are pregnant or pursuing custody. The following types of housing intended for the elderly, however, are exempt from this rule:

- State and federal housing that is specifically designed and operated to assist the elderly;
- Housing intended for and solely occupied by persons 62 and older; and
- Housing intended and operated for occupancy by at least one person 55 and older per unit. To qualify for this exemption, 80% of the units must have at least one person 55 or older.

It is unlawful to discriminate against a renter because of the disability of the renter or other household member or the disability of any person associated with the renter or the perceived disability of any of those individuals.

In the Fair Housing Act amendments, the definition of disability includes:

- Physical or mental impairments which limit major life activities;
- A record of having such impairments or being regarded by others as having an impairment.

The example list of impairments is long and includes learning disabilities, diabetes, alcoholism, emotional illness, cancer, heart disease, AIDS, etc. It does *not* include current, illegal use of or addiction to a controlled substance.

Private owners of rental units must permit disabled persons, at their own expense, to make reasonable modifications to the premises (both interior unit and common area) if necessary, to obtain full enjoyment of a dwelling. However, permission may be conditioned on the renter agreeing to restore the unit interior to its previous condition. Permission may also be conditioned on provision of a description of work, assurance it will be done in "workmanlike" manner and that necessary building permits will be obtained.

If requested, owners must make reasonable accommodations to rules and policies to give persons with disabilities equal opportunity to enjoy dwelling and/or common areas (e.g., through assigned parking for persons with disabilities, or animals assisting disabled tenants, even if pets are not generally allowed).

Section 504 Requirements

Section 504 of the Rehabilitation Act of 1973 (as amended) prohibits discrimination under any program or activity receiving federal financial assistance solely on the basis of a disability. The rule requires those who are considered "recipients" of federal funds to ensure that individuals with disability will receive equal opportunity to participate in programs and services in the most appropriate integrated setting.

PHAs are considered "recipients" for this purpose. Owners under the housing choice voucher program are not considered recipients for this purpose, but must comply with the "reasonable accommodation" provisions of the Fair Housing Act amendment.

The definition of an individual with disabilities in Section 504 includes any person who has:

- Physical or mental impairment(s) that substantially limits one or more major life activities; or
- A record of having such impairments or is regarded as having such impairments.

Program Accessibility/Eligibility

To ensure that persons with disabilities have an opportunity to participate in the program, Section 504 requires "recipients" to assure that outreach materials and the application process are open to persons with disabilities. For example, the PHA's application process must be accessible to persons with disabilities, or the PHA must make provisions to take applications from these persons.

To ensure communication accessibility, recipients are required to have TDD or TTY machines (teletypewriter machines used by hearing impaired individuals) or an equally effective communication system. Recipients must pay for the cost of an interpreter for a hearing impaired person upon request, although advance notice may be required, and must provide copies of legal documents and informational materials in braille or on tape for visually impaired applicants. Recipients are not required to take any actions which would result in a fundamental alteration in the nature of the program or undue financial or administrative burden.

Special Rules for the Housing Choice Voucher Program

The PHA must ensure that outreach efforts reach eligible persons with disabilities and that owners with accessible units are encouraged to participate in the program. In addition, PHAs should help families that include an individual with a disability in locating an available, accessible unit. When considering requests for extensions of the voucher term, a PHA must take into account the special problems associated with locating an accessible unit. When required as a reasonable accommodation for a family that includes a person with disabilities, a PHA may establish a higher payment standard.

Chapter 3 describes the requirement for the PHA to execute and include in the PHA plan a certification of its compliance with affirmative, fair housing, and equal opportunity requirements.

Filing a Fair Housing Discrimination Complaint

At the housing choice voucher program briefing, the PHA must instruct families about the potential for encountering housing discrimination and about the procedures for filing a Fair Housing discrimination complaint. The information packet must include the housing discrimination complaint form (form HUD-903) and families must be informed that PHA staff will provide assistance in completing the forms on request.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Employment Income.	• Verification Form with signed Consent to Release completed by employer.	Wages and Salaries • Telephone or in person contact with employer, specifying amount to be paid per pay period and length of pay period. Document in file by the PHA.	• W-2 Forms, if applicant has had some employer for at least two years and increases can be accurately projected, or check stub or earning statements. • Paycheck stubs or earning statements.	• Notarized statements or affidavits signed by applicant which describe amount & source of income.	• Frequency of gross pay (i.e., hourly, bi-weekly, monthly, bi-monthly. • Anticipated increases in pay effective dates. • Require most recent 6-8 consecutive paystubs; do not use check without stub.
• Self-employment, tips, gratuities, etc.	None available.	None available.	• Form 1040/1040A showing amount earned and employment period.	• Notarized statement or affidavit signed by applicant showing amount earned and pay period.	
• Income maintenance payments, benefits, income other than wages (i.e., welfare, Social Security, (SS), Supplemental Security Income (SSI), Disability Income, Pensions).	• Award or benefit notification letters prepared and signed by authorizing agency. • Print-out of benefit amounts generated by PHA through automated tie-in to welfare department computers.	• Telephone or in-person contact with income source, documented in file by the PHA. • Note: For all oral verification, file documentation must include facts, time & date of contract, and name & title of third party.	• Current or recent check with date, amount, and check number recorded by the PHA. • Award Letters. • Copies of validated bank deposit slips/with identification by bank. • Most recent quarterly pension account statement.		• Checks or automatic bank deposit slips may not provide gross amounts of benefits if applicant has deductions made for Medicare Insurance. Confirm amount of the Medicare premium with the Social Security Administration (SSA). • If local Social Security Administration (SSA) fails to provide verification, checks or automatic deposit slips may be accepted as interim verification of SS or SSI; however, the PHA must notify the HUD Field Office of SSA's refusal to verify. • Copying of U.S. Treasury checks is not permitted.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Welfare ayments (as-paid states only).	• Verification form completed by welfare department indicating maximum amount family may receive. • Maximum shelter schedule by household size with ratable reduction schedule.	• Telephone or in-person contact with income source, documented in file by PHA.	• Maximum shelter allowance schedule with ratable reduction schedule with ratable reduction schedule provided by applicant.	• Not appropriate.	• Actual welfare benefit amount not sufficient as proof of income in “as paid” states or localities since income is defined as maximum shelter amount.
• Unemployment compensation.	• Verification form, with signed Consent to Release, completed by source.	• Telephone or in person contact with agency documented in a PHA file.	• Copies of checks or records from agency provided by applicant stating payment amounts and dates. • Benefit notification letter signed by authorizing agency.		• Frequency of payments and expected length of benefit term must be verified. • Income not expected to last full 12 months must be calculated based on 12 months and interim-completed when benefits stop.
• Alimony or child support.	• Copy of separation or divorce agreement provided by ex-spouse or court indicating type of support, amount, and payment schedule. • Written statement provided by ex-spouse or income source indicating of all of above. • If applicable, written statement from court/attorney that payments are not being received and anticipated date of resumption of payments.	• Telephone or in person contact with ex-spouse or income source documented in file by the PHA.	• Copy of most recent check, recording date, amount, and check number. • Recent original letters from the court.	• Notarized statement or affidavit signed by applicant indicating amount received. • If applicable, notarized statement or affidavit from applicant indicating that payments are not being received and describing efforts to collect amounts dues.	• Amounts awarded but not received can only be excluded from annual income when applicants have made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments.
• Recurring contributions and gifts.	• Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts.	• Telephone or in person contact with source documented in file by PHA.	• Not applicable.	• Notarized statement or affidavit signed by applicant stating purpose, dates, and value of gifts.	• Sporadic contributions and gifts are not counted as income.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Net Income for a business.	• Not applicable.	• Not applicable.	• IRS Form 1040 with Schedule C, E, or F. • Financial Statement(s) of the business (audited or unaudited) including an accountant's calculation of straight-line depreciation expense if accelerated depreciation was used on the tax return or financial statement. • Any loan application listing income derived from business during proceeding 12 months. • For rental property, copies of recent rent checks, on lease and receipts for expenses or IRS Schedule E.		
• Dividend income and savings account interest income.	• Verification form with signed consent to release, completed by bank.	• Telephone or in-person contact with appropriate party, documented in file by the PHA.	• Copies of current statements, bank passbooks, certificates of deposit, if they show required information (i.e., current rate of interest). • Copies of IRS Form 1099 from the financial institution and verification of projected income for the next 12 months. • Broker's quarterly statements showing value of stocks/bonds and earnings credited the applicant.	• Not appropriate.	• The PHA must obtain enough information to accurately project income over next 12 months. • Verify interest rate as well as asset value.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Interest from sale of real property (e.g., contract for deed, installment sales contract, etc.)	• Verification form, with signed consent to release, completed by an accountant, attorney, real estate broker, the buyer, or a financial institution which has copies of the amortization schedule from which interest income for the next 12 months can be obtained.	• Telephone or in-person contact with appropriate party, documented in file by the PHA.	• Copy of the amortization schedule, with sufficient information for the PHA to determine the amount of interest to be earned during the next 12 months. • Note: Copy of a check paid by the buyer to the applicant is not acceptable.		• Only the interest income is counted; the balance of the payment applied to the principal is merely a liquidation of the asset. • The PHA must get enough information to compute the actual interest income for the next 12 months.
• Current net family assets.	• Verification forms, letters or documents with signed Consent to Release, forms from financial institutions, stock brokers, real estate agents, employers indicating the current value of the assets and penalties, or reasonable costs to be incurred in order to convert non-liquid assets into cash.	• Telephone or in-person contact with appropriate source, documented in file by the PHA.	• Passbooks, checking or savings account statements, certificates of deposit, property appraisals, stock or bond documents or other financial statements completed by financial institution. • Copies of real estate tax statements, if tax authority uses approximate market value. • Quotes from attorneys, stock brokers, bankers, real estate agents, verifying penalties, reasonable costs incurred to convert asset to cash. • Copies of real estate closing documents which indicate distribution of sales proceeds and settlement costs.	• Notarized statement or signed affidavit stating cash value of assets or verifying cash held at applicant's home or in safe deposit box.	• Use current balance in saving accounts, average monthly balance in checking accounts for last 6 months. • Use cash value of all assets: the net amount the applicant would receive if the asset were converted to cash. • Note: This information can usually be obtained simultaneously with income from asset verification and employment verification (value of pension).

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Assets disposed of for less than fair market value.	• None required.	• None required.	• None required.	• Certification signed by applicant that no member of family has disposed of assets for less than fair market value during preceding 2 years. • If applicable, certification signed by applicant that shows: - Type of assets disposed of, -Date disposed of, -Amount received, and -Market value of asset at the time of disposition.	• Only count assets disposed of within a two year period prior to examination or re-examination.
• Family composition.	• None required.	• None required.	• Income tax returns, school records, marriage certificates, birth certificates, divorce actions, Veterans Administration (VA) records, support payment records.		
• Family type. • (Information verified only to determine eligibility for preferences and allowances.)	• Disability Status: statement from physician or other reliable source, if benefits documenting status are not received.) • Displacement Status: Written statement or certificate of displacement by the appropriate governmental authority.	• Telephone or in-person contact with source documented in file by the PHA.	• Elderly Status (when there is reasonable doubt that applicant is at least 62): birth certificate, baptismal certificate, social security records, driver's license, census record, official record of birth or other authoritative document or receipt of SSI old age benefits or SS benefits. • Disabled, blind – evidence of receipt of SSI or Disability benefits.	• Elderly Status: Applicant's signature on Application is generally sufficient.	• Unless the applicant receives income or benefits for which elderly or disabled status is a requirement, such status must be verified. • Status of disabled family members must be verified for entitlement to $480 dependent deduction and disability assistance allowance.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Medical expenses.	• Verification by a doctor, hospital, or clinic, dentist, pharmacist, etc. of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance..	• Telephone or in-person contact with these sources, documented in file by the PHA.	• Copies of cancelled checks which verify payments on outstanding medical bills which will continue for all or part of the next 12 months. • Copies of income tax forms (Schedule A, IRS Form 1040) which itemize medical expenses, when the expenses are not expected to change over the next 12 months. • Receipts, cancelled checks, pay stubs, which indicate health insurance premium costs, or payments to a resident attendant. • Receipts or ticket stubs which verify transportation expenses directly related to medical expenses.	• Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification.	• Medical expenses are not allowable as deduction unless applicant is elderly or disabled household. Status must be verified.
• Care attendant for disabled family members.	• Written verification from attendant stating amount received, frequency of payments, hours of care. • Written certification from doctor or rehabilitation agency that care is necessary to employment of household member.	• Telephone or in-person contact with source documented in file by the PHA.	• Copies of receipts or cancelled checks indicating payment amount and frequency.	• Notarized statement or signed affidavit attesting to amounts paid.	• The PHA must determine if this expense is to be considered medical or disability assistance.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Auxiliary apparatus.	• Written verification from source of costs and purpose of apparatus. • Written certification from doctor or rehabilitation agency that use of apparatus is necessary to employment of any household member. • In case where the disabled person is employed, statement from employer that apparatus is necessary for employment.	• Telephone or in-person contact with these sources documented in file by the PHA.	• Copies of receipts or evidence of periodic payments for apparatus.		• The PHA must determine if expense is to be considered medical or disability assistance.
• Child care expenses	• Written verification from person who provides care indicating amount of payment, hours of care, names of children, frequency of payment, and whether or not care is necessary to employment or education.	• Telephone or in-person contact with these sources documented in file by the PHA.	• Copies of receipts or cancelled checks indicating payments.		• Allowance provided only for care of children 12 and younger • When same care provider takes care of children and disabled person, the PHA must pro-rate expenses accordingly. • PHAs should keep in mind that costs may be higher in summer months, and during holiday periods. • The PHA must determine which household member has been enabled to work. • Care for employment and education must be prorated to compare to earnings. • Costs must be “reasonable”.

EXHIBIT 5-5
VERIFICATION REQUIREMENTS

Factor to be Verified	Acceptable Sources				Information Which Must Be Obtained/ Verification Tips
	Third Party		Documents Provided by Applicant	Self-Declaration	
	Written	Oral			
• Full-time student status (of family member 18 or older, excluding head, spouse, or foster children).	• Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc. or from VA Office.	• Telephone or in-person contact with these sources documented in file by the PHA.	• School records, such as paid fee statements, which show a sufficient number of credits to be considered a full-time student by the educational institution attended.		
	• Verification from reliable medical source.	• Telephone or in-person contact with these sources documented in file by the PHA.			

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CHAPTER 6
CALCULATING RENT AND HAP PAYMENTS

6.1 CHAPTER OVERVIEW

The determination of the family's share of total housing costs and the PHA's housing assistance payment (HAP) is a two step process. When the housing choice voucher is issued, the applicant or participant must be given information on the minimum the family is expected to contribute to housing costs and the maximum subsidy that the PHA can pay. Because the family has the option of selecting a unit with a rent that is more or less than the PHA payment standard, the final calculation of the family's share of the housing costs and the HAP amount cannot be completed until the family has selected a unit.

6.2 INFORMATION THE APPLICANT OR PARTICIPANT IS GIVEN AT HOUSING CHOICE VOUCHER ISSUANCE

Minimum and Maximum Tenant Contributions to Housing Costs

It is critical that families receive complete and accurate information on how the program works, what their unit selection options are and the variables that affect the amount the family will be required to contribute to its total housing costs.

Total Tenant Payment

The total tenant payment (TTP) represents the minimum amount a family must contribute toward rent and utilities regardless of the unit selected. The TTP is calculated using a statutory formula and individual income information (see Chapter 5). To calculate TTP, annual adjusted income and annual (gross) income must be converted to monthly adjusted income and monthly gross income by dividing the annual figures by 12 months. The TTP is the greater of:

- 30 percent of monthly adjusted income;
- 10 percent of monthly gross income;
- The welfare rent (in as-paid states only); or
- The PHA minimum rent (PHA determined, see page 6-8).

CALCULATING TOTAL TENANT PAYMENT

30% of Monthly Adjusted Income:	$700 x .30 = $ 210
10% of Monthly Gross Income:	$740 x .10 = $74
Welfare Rent:	N/A
PHA Minimum Rent:	$25
Total Tenant Payment:	$210

The participant will never pay less than the TTP ($210) regardless of the unit selected.

Maximum Initial Rent Burden

When a family selects a unit with a gross rent exceeding the PHA payment standard, the PHA must determine whether the family's share for that unit would exceed the maximum initial rent burden. The family share may not exceed 40 percent of the family's monthly adjusted income when the family initially moves into the unit or signs the first assisted lease for a unit. The maximum initial rent burden applies only when the gross rent for the unit selected exceeds the applicable payment standard.

The level at which the PHA establishes the payment standard will affect a family's ability to find a unit with a rent that will not require the family to pay more than 40 percent of its monthly adjusted income.

The maximum initial rent burden may be calculated when the housing choice voucher is issued so the family will know the maximum amount it can pay for a unit while it is searching for housing.

CALCULATING MAXIMUM INITIAL RENT BURDEN

Payment Standard:	$450
Total Tenant Payment:	$210
40% of Monthly Adjusted Income:	$700 x .40 = $280

Amount family is limited to contributing to total housing costs.	$ 280
PHA maximum subsidy (see below)	+$ 240
Maximum gross rent for this family	$ 520

Maximum Subsidy

The maximum subsidy the PHA can pay in the housing choice voucher program is the payment standard minus the TTP. The maximum subsidy calculation is done at the time the family is issued a housing choice voucher. It is important for the family to know the maximum the PHA will pay while searching for a unit. The actual PHA subsidy can be calculated only after the family has selected a specific unit.

CALCULATING MAXIMUM SUBSIDY

Payment Standard	$450
Minus TTP	$210
Equals Maximum Subsidy	$240

In the examples given, the family knows that, with its monthly adjusted income of $700, it must contribute at least $210 and may pay up to a maximum of $280. The maximum the PHA will contribute is $240. In this case the PHA may tell the family that the maximum gross rent that can be approved is between $450 and $520.

HELPING THE FAMILY DETERMINE WHAT RENT IT CAN AFFORD

Family TTP (Minimum the family will pay)	$210		
Maximum Initial Rent Burden			$280
plus Maximum Subsidy	$240		$240
Family may consider units with gross rents between	$450	and	$520

If the family selects a unit with a gross rent at or below $450, the family will pay $210.

Exhibit 6-1, *Sample Handout 1,* provides a sample handout that can be used at the briefing to help families understand how the maximum initial rent burden and the maximum subsidy affect and limit their unit choices.

Total Housing Costs

When searching for a unit, it is important for a family to understand that total housing costs include both the rent to the owner and any additional utility costs that the family will need to pay. Exhibit 6-2, *Sample Handout 2*, can help a family understand the total housing cost for an actual unit.

Utility Allowance

The *utility allowance* is calculated for each family based on a PHA schedule of average utility consumption by unit size for each of the family paid utilities. For example, if the family is expected to pay hot water, heat, and other electric, the PHA uses the utility schedule for the appropriate unit size for each of the utilities and adds the amounts allowed on the utility schedule for the cost of utilities to be paid by the family to determine the total utility allowance for the family. If all the utilities are included in the unit rent, there is no utility allowance.

Rent to Owner and Gross Rent

The *rent to the owner* is the full rent the owner is charging for the unit including any utilities the owner provides under the lease. The *gross rent* represents the entire housing cost. It is calculated by adding the rent to the owner and the utility allowance for the unit. If all the utilities are included in the rent, the rent to the owner and the gross rent will be the same.

GROSS RENT

Rent to Owner		$300
Utility Allowance	+	$125
Gross Rent		$425

6.3 CALCULATIONS COMPLETED FOLLOWING UNIT SELECTION

HAP Subsidy

The actual HAP payment can be calculated only after the family has selected a unit and the gross rent for the unit is known. The subsidy cannot exceed the maximum subsidy calculated above but may be less than the maximum subsidy if the gross rent for the unit is less than the payment standard amount. The HAP is the lower of:

- The payment standard for the family minus the TTP, or
- The gross rent minus the TTP.

CALCULATING THE HAP PAYMENT

Payment Standard	$450
TTP	$210

If the family selects a unit with a gross rent of $425, the HAP is the lower of:

Payment standard – TTP ($450 - $210) = $240; or
Gross rent – TTP ($425 - $210) = $215.

HAP = $215

If the family selects a unit with a gross rent of $500, the HAP is the lower of:

Payment standard – TTP ($450-$210) = $240
Gross rent – TTP ($500 - $210) = $290

HAP = $240

Family Share

The *family share* is the family's contribution toward the gross rent. The family share may be the TTP or a higher amount, depending on the unit the family selects. For a family leasing a unit with a gross rent at or below the payment standard for the family, the family share will be the same as the TTP.

If a family leases a unit with a gross rent above the payment standard for the family, the family share is the TTP plus any amount by which the gross rent exceeds the payment standard. Although it is important for families to understand this concept while searching for housing, the family share cannot be calculated until a unit is selected.

CALCULATING FAMILY SHARE FOR A 2 BEDROOM FAMILY

2 Bedroom Payment Standard:	$450
Monthly Adjusted Income:	$700 x .30 = $210
Monthly Income:	$740 x .10 = $ 74
Welfare Rent:	N/A
PHA Minimum Rent:	$25
Total Tenant Payment:	$210
Maximum initial rent burden:	$700 x 40% = $280

Family selects a 2 Bedroom unit with a gross rent of $425.

Compare the gross rent to the payment standard of $450.
The gross rent is less than the payment standard, therefore,
Family Share equals the TTP of $210.

FAMILY SHARE WHEN THE GROSS RENT EXCEEDS THE APPLICABLE PAYMENT STANDARD

2 Bedroom Payment Standard:	$450
Total Tenant Payment:	$210
Maximum initial rent burden:	$280

Family selects a 2 Bedroom unit with a gross rent of $500.

Compare the gross rent to the payment standard. The gross rent exceeds the payment standard by $50.

Family share = $210 (TTP) + $50 = $260
This unit can be rented because the family's share is less than the maximum initial rent burden of $280.

In the example above, if the family had selected a unit with a gross rent of $550, the unit could not be approved by the PHA because the family share would exceed the maximum initial rent burden. The gross rent of $550 exceeds the payment standard by $100. The family share is calculated as the TTP of $210 + $100 or $310, which exceeds the maximum initial rent burden of $280.

Note that a subsequent rent increase during the family's occupancy of the unit that causes the family share to exceed 40 percent of monthly adjusted income is permissible so long as the new rent to owner is determined to be reasonable. The maximum initial rent burden applies only at the commencement of an assisted occupancy in a particular unit.

Impact of Unit Selection on Subsidy

When a family selects a unit with fewer bedrooms than the family unit size listed on the housing choice voucher, the PHA is required to recompute maximum subsidy. The PHA must apply the payment standard amount for the smaller of the family unit size listed on the family's housing choice voucher or the unit size selected by the family. The utility allowance to be used is always based on the actual size of the selected unit.

Family Rent to Owner

The family rent to owner is the portion of the family share that is paid to the owner for rent. If the family is not responsible for paying any utilities under the lease, family rent to owner will equal family share. Where families are responsible for directly paying some or all of the utilities, family rent to owner is calculated by subtracting the HAP from the rent to the owner.

CALCULATING FAMILY RENT TO OWNER

Rent to the Owner (including all utilities)	$450
Less HAP	$240
Family Rent to Owner	$210

Utility Reimbursement

The amount of the utility reimbursement is the amount by which the HAP payment exceeds the rent to the owner. When there is a utility reimbursement, the PHA pays the full amount of the rent to the owner and sends the utility reimbursement to the family or the utility company.

Note: In this example the tenant pays no rent to the owner.

CALCULATING A UTILITY REIMBURSEMENT

HAP	$415
Less Rent to Owner (including all utilities except electric)	$390
Utility Reimbursement	$25

Prorated Assistance

For families that include both members who are citizens or have eligible immigration status and members who do not have eligible immigration status (or elect not to state that they have

eligibility status), the amount of assistance is prorated, based on the percentage of household members who are citizens or documented eligible immigrants. To calculate prorated assistance, the PHA must follow these steps:

1. Determine gross rent (rent to owner plus utilities) for the unit.

2. Determine the HAP amount, taking into consideration the income of all household members.

3. Determine the proration factor by dividing the number of eligible family members (citizens and those with eligible immigration status) by the total number of members in the household.

4. Multiply the HAP amount calculated in Step 2 by the proration factor calculated in Step 3 to determine the family's eligible subsidy portion or prorated HAP.

5. Subtract the prorated HAP (Step 4) from the gross rent (Step 1).

PRORATION OF HAP: FAMILY OF FOUR
WITH ONE INELIGIBLE NONCITIZEN

Gross Rent:	$550
Payment Standard Amount:	$600
TTP based on all household income:	$250

HAP equals the lesser of:
Payment Standard less TTP ($600- $250 = $350) or
Gross Rent less TTP ($550- $250 = $300)
HAP = $300

Proration Factor: 3 eligible members of 4 total members = ¾ = .75
Prorated HAP: $300 x .75 = $225

Calculate Family Share:
Gross Rent less Prorated HAP equals Family Share
$550 - $225 = $325

6.4 MINIMUM RENT

The Public Housing Reform Act of 1998 makes permanent a minimum rent requirement of between $0 and $50. PHAs are required to formally adopt a minimum rent policy. The policy can establish the minimum rent anywhere within the statutory range. PHAs must amend their PHA administrative plans to reflect the policy. The PHA's minimum rent is a minimum TTP and becomes a part of the TTP formula as indicated on page 6-1. A family whose TTP has been set at the minimum rent may receive a utility reimbursement.

CALCULATION OF UTILITY REIMBURSEMENT FOR FAMILY PAYING MINIMUM RENT

Rent to Owner	$390	
Less HAP	$415	
Utility Reimbursement	($25)	
Family's TTP (PHA's minimum rent)		$50
Plus Utility Reimbursement		$25
Equals the appropriate Utility Allowance for the unit		$75

Exemptions from the Minimum Rent Requirement

If a PHA adopts a minimum rent policy of greater than $0, the PHA must grant exemptions from the minimum rent requirement to any family if the PHA determines that the family is unable to pay the amount due to financial hardship, unless the hardship is temporary. Financial hardship includes circumstances in which families:

- Have lost eligibility or are awaiting an eligibility determination for a federal, state or local assistance program, including a family having a noncitizen household member lawfully admitted for permanent residence and who would be entitled to public benefits but for Title IV of the Personal Responsibility and Work Opportunity Act of 1996;
- Would be evicted as a result of imposing the minimum rent requirement;
- Experience income decreases because of changed circumstances including the loss of employment;
- Have a death in the family; or
- Have other circumstances as determined by the PHA or HUD.

If a family requests a hardship exception, the PHA must suspend the minimum rent charge and adjust the HAP payment effective on the first of the month following the change in the family's circumstances. The PHA may request documentation of the hardship and must determine promptly if the hardship is temporary or long term.

If the hardship is determined to be temporary, the minimum rent is suspended for a period of 90 days from the date of the family's request. At the end of the 90-day period, the minimum rent is reinstated retroactively to the date of suspension. The PHA must offer to execute a reasonable repayment agreement to cover the minimum rent charges accumulated during the suspension period. Hardship determinations are subject to the PHA's informal hearing process.

EXHIBITS 6-1

SAMPLE HANDOUT1: HOW MUCH DOES THIS UNIT COST?

Rent to Owner		$ _____
Utilities not included List appropriate utility allowances from the utility allowance schedule in your briefing pocket.		
Heat	$ _____	
Lights	$ _____	
Cooking gas/electric	$ _____	
Water	$ _____	
Appliance	$ _____	
Air Conditioning	$ _____	
Other	$ _____	
Total Utility Allowance		$ _____
Gross Rent		$ _____

EXHIBIT 6-2

SAMPLE HANDOUT 2
CAN I AFFORD THE UNIT I HAVE FOUND?

Note: Use this handout when the gross rent is greater than the payment standard.

In the housing choice voucher program, the maximum subsidy is set first. That maximum subsidy is based on a "payment standard" established by the PHA. If you wish to lease a unit with a gross rent (rent plus utilities) that is more than the payment standard, you will have to pay that excess, in addition to a designated "total tenant payment" that is based on a percentage of your income.

Program regulations prohibit a family from paying more than 40 percent of its adjusted monthly income if the gross rent for the unit is more than the payment standard when rental assistance begins. The following information is provided to assist you in finding a unit that is affordable to you and eligible within the 40 percent maximum guidelines.

PAYMENT STANDARD		$_____
TOTAL TENANT PAYMENT*		$_____
MAXIMUM SUBSIDY	=	$_____

MAXIMUM SUBSIDY		$_____
40 PERCENT OF MONTHLY ADJUSTED INCOME	+	$_____
MAXIMUM ALLOWABLE GROSS RENT**	=	$_____

*Total Tenant Payment greater of (1) 10 percent of monthly income, (2) 30 percent of adjusted monthly income, (3) the welfare rent, or (4) the minimum rent.

**Gross Rent = rent plus all utilities to be paid by tenant.

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CHAPTER 7
PAYMENT STANDARDS

7.1 CHAPTER OVERVIEW

Payment standards are used to calculate the housing assistance payment (HAP) that the PHA pays to the owner on behalf of the family leasing the unit. Each PHA has latitude in establishing its schedule of payment standard amounts by bedroom size. The range of possible payment standard amounts is based on HUD's published fair market rent (FMR) schedule for the FMR area in which the PHA has jurisdiction. FMRs are based on either the 40th or 50th percentile of rents charged for standard rental housing in the FMR area. A PHA may set its payment standard amounts from 90 percent to 110 percent of the published FMRs, and may set them higher or lower with HUD approval.

The level at which the payment standard amount is set directly affects the amount of subsidy a family will receive, and the amount of rent paid by program participants.

If the family leases a unit with a gross rent at or below the payment standard for the family, the family's share of the rent will be its TTP. If the rent for the unit is higher than the payment standard, the family's share will be higher than the TTP.

If the payment standard amount is too *low:*

- Families may need to pay more than they can afford; or
- Families may have a hard time finding acceptable units or units in more desirable areas;
- Housing choices will be narrowed and the PHA's efforts to affirmatively further fair housing will be undermined.

If the payment standard amount is too *high,* owners may be encouraged to ask for higher than reasonable rents.

Payment standard amounts should be high enough to allow families a reasonable selection of modest, decent, safe, and sanitary housing in a range of neighborhoods in the PHA's jurisdiction. To meet that objective and to support families wishing to move to areas with lower concentrations of poor and minority households, a PHA may establish higher payment standard schedules for certain areas within its jurisdiction so that program families can rent units in more desirable areas.

The PHA's procedures for establishing and revising its payment standard schedule must be set forth in its administrative plan.

7.2 ESTABLISHING PAYMENT STANDARD AMOUNTS

A PHA is required to establish payment standard amounts for each unit size in an FMR area. The payment standard amounts may be within several ranges depending on facts about the rental market. Payment standard amounts may be established:

- Within the "basic range", which is between 90 percent to 110 percent of the 40th percentile FMR;
- Between 90 percent and 110 percent of the 50th percentile FMR if the PHA is within a 50th percentile FMR area;
- Between 90 percent and 110 percent of the 50th percentile rent if the PHA has obtained HUD approved for "success rate" payment standard amounts; or
- As exception payment standard amounts below 90 percent or above 110 percent of the 40th or 50th percentile FMR with HUD approval.

Payment Standard Amounts within the Basic Range

Most PHAs will establish payment standard amounts within the basic range; the other options for setting payment standard amounts are made available as tools for PHAs with special market problems.

Within the basic range, the payment standard is set between 90 percent and 110 percent of the 40th percentile FMR. Whenever the FMR increases or decreases, the PHA must ensure that its payment standard amounts remain within the basic range.

KEEPING THE PAYMENT STANDARD AMOUNT WITHIN THE BASIC RANGE

In October, a PHA established its payment standard for a two-bedroom unit at the FMR limit, which was $300. The following October, an increased FMR was published at $320.

90% of the new FMR = $288
110% of the new FMR = $352

The PHA could:

- Leave the payment standard ($300) in place; $300 is more than 90% and less than 110% of the new FMR.
- Adopt a higher payment standard at any amount up to $352.
- Adopt a lower payment standard down to $288.

Payment Standard Amounts Based on the 50th Percentile FMR: Housing Choice

Payment standards based on the 50th percentile FMR are made available to PHAs in FMR areas where higher payment standards are necessary to increase housing choice throughout a metropolitan area.

> 50TH PERCENTILE FMRS TO INCREASE HOUSING CHOICE
>
> HUD will establish 50th percentile FMRs to ensure that low-income families have access to a broad range of housing opportunities throughout the metropolitan area and are free to move to neighborhoods of their choice.
>
> The areas where HUD will establish the higher FMRs are those where there is:
>
> - A concentration of voucher holders; and
> - Evidence suggesting that this problem may be due to the distribution of affordable rental units in the area.

To increase housing choice throughout a metropolitan area, HUD will increase FMRs to the 50th percentile in metropolitan areas that meet the following criteria:

The FMR area contains at least 100 census tracts;

70 percent or fewer of the census tracts with at least 10 two bedroom rental units are census tracts in which at least 30 percent of the two bedroom rental units have gross rents at or below the two bedroom FMR set at the 40th percentile rent; and

25 percent or more of the tenant-based rental program participants in the FMR area reside in the five percent of the census tracts within the FMR area that have the largest number of program participants.

In those areas where HUD has published 50th percentile FMRs, a PHA may establish its payment standard amounts between 90 and 110 percent of the 50th percentile FMR. All PHAs must use the published FMR or request an exception payment standard (see below).

A PHA that sets a payment standard amount at more than 100 percent of the 50th percentile FMR will be measured under SEMAP to determine its performance in achieving deconcentration.

Payment Standard Amounts Based on the 50th Percentile Rent: Success Rate

PHAs not in metropolitan areas with published 50th percentile FMRs may request HUD approval to use the 50th percentile rent if the higher rent levels are needed to ensure that more voucher holders will be successful in finding decent affordable housing.

The term “success rate” refers to the percent of applicants issued vouchers who successfully find and lease a program unit before the voucher expires.

To qualify for “Success Rate” payment standard amounts using the 50th percentile rent, a PHA must have:

- Maintained its payment standard amounts for all unit sizes in the entire PHA jurisdiction at 110 percent of the (40th percentile) FMR for a period of at least six months and up to the time of the PHA request for approval of success rate payment standard amounts; and
- Demonstrate that fewer than 75 percent of applicant voucher holders have successfully leased a program unit during the most recent six months; and
- Have a policy of granting automatic extensions of voucher terms to at least 90 days to provide an applicant who has made sustained efforts to locate suitable housing with additional search time.

PHAs adopting success rate payment standard amounts will be measured under SEMAP to determine their performance in improving voucher holder success rates using the higher payment standard amounts.

Requesting HUD Approval of Exception Payment Standard Amounts

A PHA may request HUD approval of payment standard amounts higher or lower than the established 40th or 50th percentile FMR for designated parts of the FMR area (the "exception areas"). The exception payment standard amounts may be for all units in the exception areas, or for all units of a given bedroom size in these areas. Any PHA with jurisdiction in the exception areas may use the HUD-approved exception payment standard amounts without requesting specific HUD approval.

- Requests for exception payment standard amounts from 110 percent to 120 percent of FMR must be supported by the median rent method or the 40th or 50th percentile method discussed below.
- HUD will only approve exception payment standard amounts if the exception payment standard amounts are needed to help families find housing outside areas of high poverty concentrations, or because voucher holders have trouble finding housing to lease under the program within the voucher term.
- The total population of all HUD-approved exception areas may not include more than 50 percent of the population of the FMR area.

Requesting HUD Approval of Exception Payment Standard Amounts over 120 percent of the FMR

A PHA may request HUD approval to adopt exception payment standard amounts above 120 percent of the published FMRs for the same area but not until at least six months from the date of HUD's approval of a 120 percent exception payment standard.

- The exceptions must be necessary to prevent financial hardship for families.
- The Assistant Secretary for Public and Indian Housing must approve requests for exception payment standard amounts over 120 percent of the published FMR.

METHODS FOR DETERMINING EXCEPTION PAYMENT STANDARD AMOUNTS
MEDIAN RENT METHOD

$$\frac{\textbf{Median Exception Area Gross Rent}}{\textbf{Median FMR Area Gross Rent}} = \textbf{Exception Payment Standard Percentage}$$

The Anytown PHA is concerned that voucher families are concentrated in some of the city's poorest neighborhoods. Even with voucher assistance, they cannot afford other areas without paying more than 40 percent of their monthly adjusted income for rent, the maximum initial rent burden allowed under the housing choice voucher program. The PHA is requesting HUD approval for exception payment standards for two-BR, three-BR, and four-BR units in the Broadview area of the city, which has decent housing, good schools, and a low concentration of poor and minority families.

Using Census data, the PHA determines that the median rents for the 2-BR units in the three census tracts that comprise Broadview are $897, $872, and $901, with an $890 overall median. The median rent for the Anytown MSA is $781.

$$\frac{\$890}{\$781} = 1.14 \text{ OR } 114\%$$

With HUD approval, Anytown PHA's payment standards for each unit size in the Broadview exception payment standard area may be up to 114 percent of the Anytown Area FMR.

Anytown's FMRs are set at the 40th percentile of area rents. A PHA using an approved 50th percentile FMR could make a similar request for exceptions above the 50th percentile FMR if local market data supported the request.

METHODS FOR DETERMINING EXCEPTION PAYMENT STANDARD AMOUNTS
40TH OR 50TH PERCENTILE RENT METHOD

The Central State PHA, responding to complaints from voucher holders who need large units about their difficulty finding affordable housing, is requesting HUD approval for exception payment standards for four and five bedroom units throughout its jurisdiction. Census and other available data for the area, which includes only aggregate rent figures for units of all sizes, do not support a request under the median rent method.

Under the 40th or 50th percentile rent method, Central State must support its request for an exception with "statistically representative" rental housing survey data demonstrating that, for four- and five-bedroom units in its jurisdiction, the 40th or 50th percentile rent levels are greater than the HUD established FMRs. Suggestions for obtaining this data can be found in two HUD publications:

- Random Digit Dialing Surveys for large PHAs, and
- Rental Housing Surveys for smaller PHAs.

The PHA is required to conduct an RDD survey for only the portion of the FMR area for its jurisdiction.

The Central State PHA is disputing the published 40th percentile FMRs; if the PHA were in a 50th percentile FMR area, it could use the same approach to challenge published 50th percentile FMRs.

Establishing the Payment Standard Schedule

A PHA initially establishes the payment standard amounts on the payment standard schedule at 90 percent to 110 percent of the published FMR. Like the FMR, the payment standard schedule is established by bedroom size category. The payment standard schedule applies to all voucher units administered by the PHA regardless of the source of funding (e.g., formula allocation, Welfare to Work, or vouchers targeted to specific groups of recipients) or the date on which the vouchers were awarded by HUD.

The PHA may establish one or more separate payment standard amounts within the basic range for designated parts of an FMR area. This may be appropriate where a PHA has determined that its general payment standards are too low to allow families seeking housing in areas with low concentrations of poverty and minority families to lease in these areas.

7.3 REVISING THE PAYMENT STANDARD

Prior to the effective date of any new FMRs, the PHA must review its payment standard schedule and amend it as needed to ensure that the payment standards remain within the basic range (90 percent to 110 percent of the new FMR). If the FMR increases, the PHA must be sure that the payment standards for each unit size are at least 90 percent of the new FMR. Similarly, if the FMR decreases, the PHA must be sure that the payment standards are not more than 110 percent of the new FMR.

PHAs will likely increase payment standards as FMRs increase, to help voucher holders find units and current participants to continue to afford the units they have selected. However, the PHA is not *required* to increase payment standards when FMRs increase so long as the payment standards is from 90 percent to 110 percent of the new FMR.

Annual Review of Payment Standard Amounts

At least annually, generally prior to the preparation of its housing choice voucher program budget, the PHA should review its payment standards to determine whether adjustments are needed for some or all unit sizes. In reviewing the adequacy of its payment standard amounts, the PHA should consider the following:

- *Assisted Families' Rent Burdens:* The PHA should review the percentage of income voucher families use to pay rent to determine the extent to which rent burdens exceed 30 percent of income due to the fact that gross rent levels are above the PHA's payment standard amounts.

- *Availability of Suitable Vacant Units with Rents Below the Payment Standard Amounts:* The PHA should review its rent reasonableness data, vacancy rate data, and other relevant information to determine whether there is an ample supply of vacant units with rents below the payment standard amounts, particularly in areas with low concentrations of poor and minority families.

- *Size and Quality of Units Selected:* The PHA should review the size and quality of units selected by assisted families before concluding that there is a need for a change in the payment standard amounts. Payment standard amount increases should be made only when they are needed to reach units of adequate size and quality in the mid-range of the market.

- *Time to Locate Housing:* The PHA should review the average time required for voucher holders to find units. If the PHA determines that the amount of time required is excessive (i.e. 90 days or more), an increase in the payment standard amount may be needed.

- *Vouchers Expired without Leasing:* The PHA should also review the number of voucher holders whose vouchers expire without their having leased a unit. While some voucher drop-out is to be expected, a substantial number of families unable to lease units with assistance under the housing choice voucher program suggests that payment standard amount may be too low.

- *Large Numbers of Families Moving Out of the PHA's Jurisdiction:* The PHA should review the number of families exercising the portability option to lease in other jurisdictions. Again, while some exercise of portability is to be expected, and may in fact indicate that the PHA is meeting its objectives in expanding housing opportunities for participating families, an excessively high number of families moving out may indicate that the PHA's payment standard amounts are too low.

SEMAP Indicator 7, Expanding Housing Opportunities, further requires a PHA to identify and provide information to voucher holders about housing opportunities outside areas of poverty and minority concentration in their jurisdiction. The PHA is required to look at difficulties experienced by voucher holders in finding housing in these areas, and, if appropriate, to seek HUD approval of exception payment standards for these areas.

Lowering the Payment Standard Amount

The PHA's analysis may indicate that the payment standard amount is too high, in which case the PHA should lower its payment standard to some appropriate amount within the basic range. The lower payment standard amount will not apply to families who have already leased units under the higher standard until they move to a new unit or have a change in their family size or composition, or at the second annual reexamination after the PHA lowers its payment standard.

File Documentation

The PHA should retain documentation of its review of its payment standard schedule to support its determination to change or not to change the payment standard amounts on the payment standard schedule.

7.4 APPLYING THE PAYMENT STANDARD

The payment standard is used to calculate the monthly housing assistance payment for a family under the housing choice voucher program. The HAP is arrived at by taking the *lower* of the:

- Payment standard minus the TTP *or*
- Gross rent for the unit minus the TTP.

Under the housing choice voucher program, if the gross rent for the unit is lower than the payment standard, the family will pay the full TTP. If the gross rent for the unit is higher than the payment standard, the family will pay the TTP plus the amount by which the gross rent exceeds the payment standard.

If during the term of the HAP contract the owner *lowers* the rent for a unit, the HAP will be recalculated using the lower of the initial payment standard or the lower gross rent for the unit.

Payment Standard Amount for a Family

The payment standard amount for a family is the *lower* of:

- Payment standard amount for the family unit size, or
- Payment standard amount for the size of the unit leased by the family.

If the unit is located in an exception area, the PHA must use the appropriate payment standard amount for the exception area.

When the Payment Standard Increases

The payment standard in place on the effective date of the HAP contract remains in place for the duration of the contract term unless the PHA increases or decreases its payment standard. If a payment standard is increased, the higher payment standard is first used in calculating the HAP at the time of the family's regular (annual) reexamination. Families requiring or requesting interim reexaminations will *not* have their HAP payments calculated using the higher payment standard until their next annual reexamination.

When the Payment Standard Decreases

If the PHA lowers its payment standards, the payment standard in effect on the effective date of the HAP contract will remain in effect until the family moves to another unit, has a change in its family size or composition, or until the second annual reexamination after the PHA decreases its payment standard.

Decreases in the applicable payment standard due to changes in family size or composition are effective as of the next regular (annual) reexamination following the change. At that time, the new family size will be used to determine the payment standard.

Higher Payment Standard Amount as a Reasonable Accommodation

Although the housing choice voucher program does not generally allow unit-by-unit exceptions, a PHA may establish a higher payment standard amount within the basic range as a reasonable accommodation for a family with a family member with disabilities.

ESTABLISHING A HIGHER PAYMENT STANDARD AMOUNT AS A REASONABLE ACCOMMODATION

The Williams family has five children and requires a four-bedroom unit. Mrs. Williams is in a wheelchair and cannot go up stairs.

The family has located a modest 4-bedroom ranch house on the outskirts of Midtown that would meet their needs, but the rent is higher than the Midtown PHA's four-bedroom payment standard. The higher rent would require the Williams to pay more than 40 percent of their income for rent, so they cannot lease the unit without a higher payment standard.

The Midtown Housing Authority (MHA) can provide the Williams with an exception payment standard to enable the family to lease the unit if MHA determines the rent to be reasonable.

7.5 RELATED SEMAP INDICATORS

SEMAP Indicator 8 measures the PHA's compliance in setting its payment standards within the basic range, or other amount approved by HUD:

> The PHA's voucher program payment schedule contains payment standards which do not exceed 110 percent of the current applicable published FMR and which are not less than 90 percent of the current applicable published FMR (unless a higher or lower payment standard amount is approved by HUD).

SEMAP Indicator 7 requires the PHA to analyze difficulties experienced by voucher holders finding housing in areas of low poverty and minority concentration and, if appropriate, seek approval from HUD for exception payment standards for these areas.

A new SEMAP Indicator applies only to PHAs that have received approval to establish success rate payment standard amounts. The indicator measures whether voucher holders have been more successful leasing units than before the success rate payment standard amounts were adopted. To earn the five points available through this indicator, the PHA must document improvement using one of two measures:

- More than 75 percent of applicant families issued vouchers were able to lease successfully; or

- The percent of successful applicant families is at least five percentage points higher than when the success rate payment standard was established, *and* the PHA's voucher utilization for the fiscal year is at 95% of units leased or 95% of funds expended.

This new SEMAP indicator will apply in the second full PHA fiscal year that follows the date of HUD approval of success rate payment standard amounts.

Submission of data under the SEMAP Deconcentration bonus is mandatory for a PHA using a payment standard amount that exceeds 100 percent of the 50th percentile FMR when HUD has published 50th percentile FMRs to provide a broad range of housing opportunities throughout a metropolitan area. The submission becomes mandatory starting with the second full PHA fiscal year following initial use of the payment standard amount above the 50th percentile FMR. Submission of deconcentration data for the bonus indicator is optional for other PHAs.

The Deconcentration bonus measures the percent of voucher families with children who have moved to low poverty census tracts. Success under the indicator is measured one of three ways:

- Half or more of all voucher families with children in the PHA's jurisdiction reside in low poverty census tracts; or

- The percent of voucher families with children moving to low-poverty census tracts within the PHA's jurisdiction in the fiscal year is at least 2 percentage points higher than those who reside in those areas at the end of the year; or

- The percent of voucher families with children moving to low-poverty census tracts within the PHA's jurisdiction during the last two PHA fiscal years is at least 2 percentage points higher than the percentage of those families who lived there at the end of the last year.

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CHAPTER 8
HOUSING SEARCH AND LEASING

8.1 CHAPTER OVERVIEW

This chapter explains the briefing process, housing choice voucher issuance, housing search, tenancy approval, and leasing processes. Housing search and leasing are critical activities in the administration of the housing choice voucher program. Until the family finds a unit that meets both its needs and program requirements, the family cannot benefit from the many opportunities offered by the housing choice voucher program. At the same time, the PHA cannot earn the administrative fee needed to operate the program until a unit is leased and under HAP contract. When a family receives adequate information about program rules and PHA expectations and assistance during the housing search and leasing processes, both the family and PHA benefit. Families are likely to lease units more quickly and better understand program requirements, while the PHA increases its ability to meet SEMAP leasing requirements, improve its leasing success rate, and control costs.

The voucher is the family's authorization to search for housing. The family receives it after the PHA selects the family from the waiting list, determines its eligibility for assistance, and conducts the program briefing. Upon issuance of a housing choice voucher, the housing search process begins. Once the family finds a suitable unit, the PHA begins its process of approving or denying the assisted tenancy. If the tenancy is approved, leasing activities begin.

8.2 BRIEFINGS

Introduction

PHAs must orally brief families selected to participate in the housing choice voucher program about program requirements and how the program works. The briefing must occur prior to issuance of the voucher to the family.

The briefing provides the PHA with a unique and important opportunity to set the tone for the relationship between the PHA and the participating family. The briefing presentation should be polished, and the message delivered should be clear, consistent, and strong.

The staff person(s) assigned to conduct the briefing should be well-trained in presentation skills. Some PHAs have found it effective for staff persons who are also housing choice voucher participants to conduct the briefing because they can share their own first-hand experience. Good presenters know their audience and tailor the presentation to meet its needs.

For example, most families invited to a briefing know very little about the housing choice voucher program. The complexities of the program should therefore be discussed as simply as possible. The presentation should also be well-organized to aid the family's understanding and to give the family an opportunity to ask questions, discuss the information being presented, and to ensure that participant rights and responsibilities are clearly understood. Many presenters find

it helpful to use videos, slide presentations, charts, maps, and other visual and media aids to deliver the message.

BRIEFING OBJECTIVES

- Introduce the housing choice voucher program and the benefits it offers participating families;
- Provide step-by-step instructions on how and where to search for a unit;
- Explain how rent and subsidy are calculated;
- Inform families of their rights under the housing choice voucher program;
- Inform families of their responsibilities as housing choice voucher program participants; and
- Clarify the role of the PHA and its expectations of housing choice voucher program participants.

Important benefits can be gained by dedicating staff time and resources to this "front-end" process. Families who are not properly briefed often require more assistance from PHA staff in order to find a unit. This can place unnecessarily heavy demands on staff time and affect the agency's ability to achieve its monthly leasing objectives and complete other important processing functions, such as monthly reexaminations. PHAs that are committed to conducting high-quality briefings often find that their ability to efficiently administer the program greatly increases.

Because of the importance of the briefing, PHAs in areas where a large number of applicants do not speak English as their primary language should consider conducting a special briefing in another language or languages, conducting a bilingual briefing, or arranging for an interpreter to be present at the briefing. Similarly, the written material that accompanies the briefing should be translated to the extent possible. PHAs can draw upon the bilingual skills of various community organizations or its own staff to assist in briefing families and translating documents.

Although the briefing presentation and the contents of the information packet are discussed under separate subheadings below, they are very much related in practice. The information packet is typically distributed during the briefing session, and parts of the briefing involve explaining items contained in the information packet.

Briefing Topics

Each briefing must provide information on the following subjects:

- How the housing choice voucher program works;
- Family and owner responsibilities; and
- Where the family can lease a unit, including renting a unit inside or outside the PHA's jurisdiction.

For families eligible under portability, the briefing must also include an explanation of portability. The PHA cannot discourage eligible families from moving under portability.

For families living in high-poverty census tracts, the briefing must also identify areas outside of high-poverty concentration and explain the advantages of moving to such areas. (See Chapter 2.)

Section 504 Requirements

If a person with a disability is to be present at the briefing, the PHA must ensure effective communication in accordance with Section 504 requirements. Section 504 of the Rehabilitation Act of 1973 (as amended) prohibits discrimination under any federally-assisted program solely on the basis of a disability. To assure that housing choice voucher applicants have an opportunity to participate in the program, the briefing site must be accessible to individuals with disabilities, or provisions must be made to brief the individual at an accessible site. The PHA must use effective communication systems for hearing or visually impaired individuals, such as TDD or TTY machines, video tapes with signing interpreters or briefing materials in braille, or provide an interpreter. PHAs are not required to take any actions that would result in an undue financial or administrative burden.

Other Briefing Topics

PHAs should use the briefing to communicate its message and any PHA-specific requirements. At a minimum, the PHA should give the family an overview of the contents of the briefing packet, so families are aware of the information contained in the packet and therefore more likely to refer to the packet during the housing search and leasing process. Below are topics that PHAs may wish to consider discussing in the briefing:

- Tips on how to find a suitable unit and family considerations when deciding whether to lease a unit, including unit condition, reasonableness of rent, cost of tenant-paid utilities, whether the unit is energy-efficient, and location of unit.
- Tips on how to negotiate a lease.
- Discussion of HQS, focusing on common reasons that units fail HQS during initial inspections.

- Discussion of significant aspects of applicable state and local laws, including fair housing laws.

- Information that will inform families of housing opportunities within the PHA's jurisdiction, particularly in low-poverty areas.

- Information on the quality of neighborhoods, including the availability of job opportunities, quality of schools, access to public transport, and other community services.

- Information on the availability of local community resources for which families can apply to compliment their housing assistance. This might include any services of financial assistance for security deposits and other moving costs. Effective use of these services and resources may help to prevent difficulties for the family during tenancy.

- Explanation of security deposit requirements. Families should be informed of three points:

  1. *The cost of the security deposit is not covered under the housing choice voucher program*.

     Too often prospective housing choice voucher program families discover late in the housing search and leasing processes that they are responsible for paying the security deposit to the owner. Not having budgeted for this expense, the family fails to lease under the housing choice voucher program. This situation, which results in loss of time and money for the family, the PHA, and the owner, can be avoided by clearly explaining at the briefing that the family is responsible for any security deposit requested by the owner. Owners *may* collect a security deposit but are not required to do so, and amounts collected may vary. Some owners may agree to allow the family to pay the security deposit in installments over the term of the lease. Depending upon the housing market and jurisdiction, some PHAs may be able to give families a good indication of how much of a security deposit they can expect to pay for various types of units. These estimates can help the family better plan for this expense.

  2. *The purpose of the security deposit*.

     When a participant moves out of the unit, the owner may use the security deposit and any interest accrued as reimbursement for any unpaid rent payable by the tenant, and damages to the unit or for other amounts the tenant owes under the lease. In most states, the owner must give the tenant a written list of all items charged against the security deposit and the amount of each item. After deducting any charges, the owner must promptly refund the full amount of the remaining balance to the tenant. If the security deposit is not sufficient to cover the amount the tenant owes under the lease, the owner may seek to collect the balance from the tenant. Rules governing security deposits are generally covered in state law.

3. *The PHA's security deposit policy*.

   If applicable, the PHA should explain its security deposit policy. PHAs may choose to develop policies that limit the security deposit to no more than an amount commonly charged in the private market or to no more than the owner charges to unassisted tenants. Other than this, however, the PHA cannot place any restrictions on the security deposit amount charged by owners

Contents of Briefing Packet

The information packet that families selected to participate in the housing choice voucher program receive at the briefing must include the following information:

- Term of the voucher.

- PHA policy on extensions or suspensions of the voucher term and procedures for requesting an extension.

- Information on computing the housing assistance payment. PHAs must provide families with an explanation of the calculations that determine the maximum subsidy and how much rent a family will have to pay. It is impossible to tell a family exactly how much it will have to pay in rent and utilities until after the PHA approves the selected unit. This is because the family's share depends upon the amount the owner is charging for the selected unit. Nonetheless, it is very important that a family begin its housing search with a general understanding of how much it can afford and the maximum it will be allowed to pay in rent and utilities.

  The formulas for calculating rent and subsidy are complex. Explaining rent and subsidy terms and formulas as simply and clearly as possible should be a key concern. To help families narrow their search to units in an affordable price range, the PHA should provide a clear definition for each of the following terms at the briefing; then, the PHA should give each family the corresponding amount from the family's own income and rent calculation:

  - *Total Tenant Payment (TTP)*. The minimum amount a family will have to pay for rent and utilities. This figure is the greatest of: 30 percent of monthly adjusted income, 10 percent of monthly income, the welfare rent in as-paid states, or the PHA minimum rent (or special minimum rent for enhanced vouchers).

  - *Maximum initial rent burden*. The maximum amount the family is allowed to pay for rent and utilities at initial leasing of a unit under the voucher program. If rent for the unit exceeds the PHA payment standard, this figure is 40 percent of monthly adjusted income.

  - *Maximum subsidy*. The maximum amount the PHA will pay the owner on the family's behalf. This figure is obtained by subtracting the TTP from the payment standard.

The briefing package should clarify that, if the gross rent (rent plus utilities) for the unit selected is above the payment standard, the family share must be the Total Tenant Payment plus any amount the gross rent exceeds the payment standard. If this figure exceeds the maximum initial rent burden, the unit cannot be approved. If the amount of gross rent is below the payment standard, the subsidy is reduced accordingly. Exhibit 6-1 (see Chapter 6) contains a sample worksheet to help a family determine whether a unit it has selected is affordable and can be approved under the program.

- Information on the payment standard, including any exception payment standards, and the PHA's utility allowance schedule.
- Explanation of how the PHA determines the maximum rent for the unit (rent reasonableness).
- Explanation of portability.
- HUD tenancy addendum.
- The form for requesting tenancy approval and an explanation on how to request such approval.
- PHA policy on providing information about a family to prospective owners.
- PHA subsidy standards including any exceptions to these standards.
- HUD brochure on selecting a unit.
- Information on federal, state, and local equal opportunity laws and a copy of form HUD-903, Housing Discrimination Complaint Form.
- List of owners or others (e.g. real estate agents) who may agree to lease a unit to the family or help the family find a unit.
- Notice stating that, if the family includes a person with disabilities, the family may request a current listing of potentially available accessible units known to the PHA. The notice must also inform the family that it may request an exception payment standard when needed as a reasonable accommodation.
- Obligations of the family under the housing choice voucher program, including family obligations under the welfare-to-work voucher program, if applicable. See Section 8.4, Family Obligations.
- Grounds for which the PHA may terminate the family's assistance.
- Informal hearing process and how to request one.

- Map of the PHA's jurisdiction showing various areas with housing opportunities and other housing market information. Housing market information should not be limited to exception rent areas. In order to encourage deconcentration and promote housing opportunity, the PHA should provide housing market information, maps for other PHA jurisdictions in the same general market area, and a list of PHAs in neighboring jurisdictions including addresses, telephone numbers, and the name of the contact person for portability. Maps are particularly useful in urban areas to indicate the agency's jurisdiction, public transportation system, locations of employment opportunities, schools, hospitals, day care centers, shopping areas and other public facilities relevant to housing choice. *Note that making this information available to families is a requirement for SEMAP Indicator 7, Expanding Housing Opportunities.*

Other Briefing Packet Items

In addition to items required by the regulations, PHAs may wish to include supplemental materials to help explain the program to both participants and owners. Examples of supplemental materials for consideration include:

- Summary of the items included in the briefing packet. The amount of material in the information packet and its level of reading difficulty may make some families reluctant to use the packet as a resource. A concise written summary of the contents of each item included in the packet may make the packet more user-friendly and helpful to the family.

- Brochures to explain the housing choice voucher program to owners.

- Form HUD-52641, Housing Assistance Payments Contract for the Housing Choice Voucher Program.

- Description of the PHA's security deposit policy, if the PHA has one.

- Information on service organizations and utility companies.

- Explanation of rent reasonableness.

- Requirements for notifying the PHA of any changes in income.

- List of units known to be available for rent. Such a list is only useful if it is up-to-date. In smaller, less active rental markets, the PHA will be able to more easily maintain a rental list. The list should be made available to all families and should include units outside areas of low-income or minority concentration. Units placed on the list may be pre-inspected by the PHA to determine that they meet housing quality standards and rent reasonableness. If the units have not been approved, the PHA should emphasize to the family that the units are not pre-approved. In larger markets and areas with low vacancy rates, a list of owners who have indicated their interest in participating in the program may prove to be more useful since any identified vacant unit may be rented before its availability can be advertised to voucher holders.

- Explanation of any special programs or services offered by the PHA, such as family self-sufficiency.
- Checklist of items to consider before signing a lease.
- Contact information for PHA staff, local social service agencies (welfare and health agencies, legal assistance groups, fair housing organizations, tenant organizations, child care services, transportation services, utility companies, etc.).
- List of items that commonly fail HQS.

Briefing Attendance, Length, Location, and Time

Some PHAs require that all of the adults in each household attend the briefing, while other PHAs require attendance only by the head of household. The benefit of requiring all adult family members to attend the briefing is that it is the best guarantee that everyone is informed about the program, particularly family obligations and grounds for termination of assistance. Proponents of this approach argue that the likelihood of misreporting, fraud, and lease violations decreases when all adult members are successfully briefed. However, one major disadvantage of this approach is that it can create scheduling problems for both the PHA and the family. When a family member misses the briefing and must wait to reschedule, costly delays in issuance and leasing occur. Weighing the pros and cons of both approaches, PHAs must determine a policy that best meets their needs.

Families selected to participate in the housing choice voucher program may be briefed individually or in a group setting. There are advantages and disadvantages to both approaches, depending upon the amount of leasing activity that the PHA is experiencing, program size, jurisdiction size, family needs, and staffing levels.

The length of the briefing is an important consideration. On the one hand, the briefing covers a substantial amount of important information, including some topics that may be complex and confusing to a voucher holder who has limited program knowledge. Because of this, enough time should be allocated for the briefing to ensure that all topics are adequately covered. On the other hand, if the briefing is too long, the voucher holder will lose interest. One suggestion is to limit the briefing to no more than one hour. Briefings are often held during regular business hours at the PHA's central office, but they can be held anywhere at any time.

GROUP BRIEFINGS	INDIVIDUAL BRIEFINGS
Advantages	
Allows the PHA to better control the workload distribution of its leasing staff so that it can allocate sufficient time to other leasing activities. Efficient method for briefing a large number of families as quickly as possible. Increases likelihood that families receive a consistent message from the PHA. Families can learn from others with similar problems and questions and can share ideas and experiences. Typically more appropriate for large programs, programs with aggressive leasing schedules, and programs with a heavy workload and limited staff.	Families can be briefed immediately after they are selected and determined eligible, without having to wait for the next scheduled briefing. Individual attention helps to clarify search process and program requirements, increasing likelihood that the family will be successful in leasing up. More time can be spent explaining program benefits and encouraging families living in high-poverty census tracts to move to areas of low-poverty concentration. Affords more privacy and tailoring to meet family's needs. Typically more appropriate for PHAs with limited leasing activity.
Disadvantages	
Often does not encourage or allow sufficient time for questions to be raised by families and answered by PHA staff. If group sessions are held, the PHA should allow time for one-on-one meetings to address individual questions and concerns following the briefing. May slow the leasing process if families must wait to be briefed. The larger the group, the less effective the briefing.	May spread leasing staff too thin if they are conducting too many individual briefings, decreasing their ability to complete other important processing functions. Increases likelihood of inconsistency in information if more than one person is conducting the individual briefings.

CONSIDERATIONS FOR DETERMINING BRIEFING LOCATION AND TIME

- Is the PHA central office easily accessible, or would it be more convenient for the client if the briefing was offered at another public site, such as a local community center, church, or public housing site?
- Are there families with special needs that may require the briefing to be scheduled at some other location, such as the applicant's home or another PHA office?
- Is the geographical area large enough to make it more practical to hold briefings at various sites throughout the jurisdiction?
- Are there working families who may find it more convenient to attend an early morning, evening, or weekend briefing?

8.3 VOUCHER ISSUANCE

Introduction

The Housing Choice Voucher, form HUD-52646, is the family's authorization to search for housing. It can be issued to the family only after the PHA has selected the family from the waiting list (except for a special admission) and determined its eligibility. The voucher specifies the unit size for which the family qualifies. This unit size may also be used to determine the amount of assistance the PHA will pay to the owner on behalf of the family. The voucher includes both the date of voucher issuance and date of expiration. It contains a brief description of how the program works and explains the family obligations under the program. The PHA issues a voucher to the family after the family has been briefed on program requirements. The voucher is evidence that the PHA has determined the family to be eligible for the program and plans to subsidize the family if the family selects a unit that can be approved under program requirements. The PHA is under no obligation to either the family or the owner to approve any specific unit, but the voucher is a contractual agreement between the PHA and the family, obligating the PHA to provide assistance if the family locates an approvable unit and complies with the family obligations.

The PHA must have sufficient funds to house an applicant before issuing a voucher. If funds are insufficient to house the family at the top of the waiting list, the PHA must wait until it has adequate funds through vouchers turning over before it calls another family from the list.

The PHA must issue enough vouchers to:

- Meet its leasing schedule when a new allocation is received;
- Replace vouchers that have been issued but have expired; and
- Account for families who have left the program, thereby making vouchers available for use by new families.

Regardless of the number of outstanding vouchers, the PHA must always issue a voucher if necessary to move an overhoused or overcrowded participating family or a participating family living in unsafe housing where the owner refuses to make repairs.

Before issuing a voucher for admission to the program, the PHA must re-verify income if the family's income has changed or any income verification is more than 60 days old. This may require the PHA to delay voucher issuance and briefing.

The family must date and sign the voucher. It is recommended that the PHA retain a copy of the voucher in the family's file.

After initial lease-up, the PHA must maintain an occupancy rate of at least 95 percent of the contracted units. A PHA must have a lease-up rate of 98 percent to receive maximum points under SEMAP.

Overissuance

PHAs may want to consider issuing more vouchers than could be supported under its ACC if all of the vouchers resulted in HAP contracts. This is referred to as overissuing and is done to improve lease-up rates. By overissuing, a PHA can compensate for the number of issued vouchers that will not result in the execution of a HAP contract.

Approval from HUD is not necessary to deviate from the number of units contracted if the annual budget authority amount under the ACC can support the additional units.. However, no funds may be used from the PHA's ACC program reserve account to support new HAP contracts that exceed budgeted funds (see Chapter 20). While overissuing is a useful tool for improving and maintaining a high leasing rate, it requires the PHA to closely monitor and track voucher success rates. Only with good success rate data can a PHA judge the degree it can overissue without committing itself to more units than can be assisted using the PHA's available annual budget authority. See Section 8.13 below.

When to Issue

The PHA may decide whether to issue the voucher independently or in conjunction with the briefing session. Many PHAs find it useful to satisfy both of these requirements at once. Issuing the voucher immediately after the briefing session is an efficient use of staff time and also limits the number of times the family must return to the PHA office to complete paperwork.

8.4 FAMILY OBLIGATIONS

As discussed above, the PHA must inform families at the briefing of their obligations under the program, and the briefing information packet must contain the same information. Form HUD-52646, Housing Choice Voucher, lists these obligations. Once the unit is approved and the HAP contract is executed, the family must follow the rules listed on the voucher in order to continue participating in the housing choice voucher program. All information the family provides must be accurate and complete. The voucher also clearly specifies activities in which the family must NOT engage. Exhibit 5-4 in Chapter 5 describes the family obligations.

8.5 SEARCH TIME, EXTENSIONS, AND VOUCHER EXPIRATIONS

The PHA must issue a voucher for an initial period of at least 60 days. The term must be clearly indicated on the voucher, and the family must submit its request for tenancy approval within the specified period, unless the PHA grants an extension.

Extensions of Search Time

The PHA has the authority to grant extensions of search time and to determine the length of an extension and the circumstances under which extensions will be granted. If the PHA grants an extension, it must provide written notice to the family. There is no limit on the number of extensions that the PHA can approve. Discretionary policies related to extension and expiration of search time must be described in the PHA's administrative plan.

PHAs must approve an additional search term if needed as a reasonable accommodation to make the program accessible to and usable by a person with disabilities. The extension period must be reasonable for the purpose.

When establishing PHA policy on the *length* of the extension, consider the following:

- *How tight is the local housing market*? For example, a PHA located in a tight housing market may wish to automatically extend the voucher period whenever an extension is requested due to the likelihood that it will take voucher holders longer to locate decent housing renting for amounts that can be approved by the program. A PHA located in a housing market where the supply of affordable units exceeds the demand may choose not to grant extensions except in special circumstances.

- *What is the approximate wait time for an applicant on the waiting list*? If the wait is long and there are many potentially eligible applicants waiting for a voucher, PHAs may wish to grant extensions only to those voucher holders who have demonstrated that they have made substantial effort to locate housing or to those with extenuating circumstances.

When determining *who should receive* extensions, consider the following:

- The family's level of effort to find a suitable unit during the initial term. Did the family contact owners and real estate companies, search newspaper listings, explore neighborhoods for "For Rent" signs, check with local churches, and other community organizations?

- Whether there is a reasonable possibility that the family may, with additional advice and assistance, find a suitable unit;

- Level of support services requested by and provided to the family;

- Extenuating circumstances that prevented the family from finding a unit, such as:

  - Serious illness in the family;
  - Death in the family;
  - Family emergency;
  - Obstacles due to employment;

- Whether the family has already submitted requests for approval of the tenancy for units that were not approved by the PHA; and
- Whether family size or other special requirements made finding a unit difficult.

The PHA may request a report or update from the family on its progress leasing a unit during the initial or extended search term. Exhibit 8-1, *Housing Search Progress Report,* contains a sample housing search progress report.

Voucher Term Expiration

It is good practice to clarify to families that the housing choice voucher term expiration pertains to the deadline for submission of a request for tenancy approval. The expiration date does not refer to the date the unit must be available for occupancy. For example, if a housing choice voucher term expiration date is June 15, the request for tenancy approval could be dated June 15 for an occupancy date of August 1.

When a family's housing choice voucher term expires with or without an extension, the PHA has the authority to establish a policy for handling these families. This policy must be included in the PHA's administrative plan. The PHA may:

- Require that the family reapply when the PHA begins accepting applications; or
- Place the family on the waiting list with a new application date without requiring it to reapply.

The PHA may not determine the family to be ineligible for the program on the grounds that it was not able to lease up.

Suspension of Search Time

At its discretion, a PHA may adopt a policy to suspend the housing choice voucher term if the family has submitted a request for tenancy approval during the voucher term. "Suspension" means stopping the clock on a family's voucher term when a family submits the request for tenancy approval until the time the PHA approves or denies the request. This suspension of time is also called "tolling". Court decisions in some states have required that PHAs permit tolling.

The PHA's policy on suspending housing search time must be included in its administrative plan.

TOLLING EXAMPLE

Voucher Issued: May 1	Family Submits Request for Tenancy Approval: May 15
Expiration Date: June 29	PHA Denies Unit: May 24

Tolling Time: 9 Days (May 16-24)
New Voucher Expiration Date: July 8 (June 29 + 9 days)

Fair Housing Requirements

If a family believes it has been discriminated against in its search for housing on the basis of race, color, religion, sex, national origin, age, familial status, or disability, it may file a housing discrimination complaint with any HUD Field Office of Fair Housing and Equal Opportunity. Each briefing packet must include the housing discrimination complaint form, form HUD-903, and the PHA must provide the family with information on how to fill out and file a housing discrimination complaint.

8.6 ASSISTANCE TO FAMILIES DURING THE HOUSING SEARCH

One notable method for improving leasing success rates is to provide assistance to families during the housing search process. A PHA's goal is to keep the number of vouchers that are issued but never result in a HAP contract to a minimum. Periodic contact with voucher holders during the search process has proven to be an effective method to improve leasing success. Such contact allows the PHA to assess the family's progress in locating units and to resolve any issues and clarify program requirements before the expiration of the voucher term. The PHA can also use this communication with the participants to remind them of the expiration date of the voucher and to reinforce the importance of locating a unit and returning a request for tenancy approval or requesting an extension prior to the date of expiration.

Depending upon an agency's leasing status and the availability of funds and staff, other services that a PHA may wish to provide to families include:

- Briefings and information on neighborhoods and amenities in non-impacted areas of the PHA's jurisdiction;
- Transportation to visit units in non-impacted areas;
- Neighborhood tours;
- Counseling services/search assistance;
- Baby-sitting to enable parents to search for units;

- Listings of vacant rental units, particularly those in non-impacted areas; and
- Loans or financial assistance to pay for security deposits, utility deposits, and moving costs.

8.7 REQUEST FOR TENANCY APPROVAL

Once a family finds a suitable unit and the owner is willing to lease the unit under the program, the family must request tenancy approval from the PHA. The family must submit two documents to the PHA: a request for tenancy approval and an unexecuted copy of the lease, including the HUD-prescribed tenancy addendum. The family must submit both documents no later than the expiration date stated on the voucher.

The PHA has the discretion to specify the procedure for requesting tenancy approval, and the family must submit the request for tenancy approval in the form and manner required by the PHA. PHAs must use form HUD-52517, Request for Tenancy Approval, for this purpose. Form HUD-52517 contains basic information about the rental unit selected by the family, including the unit address, number of bedrooms, structure type, year constructed, utilities included in the rent, and the requested beginning date of the lease. Owners must certify the most recent amount of rent charged for the unit and provide an explanation for any difference between the prior rent and the proposed rent. Owners must also certify that they are not the parent, child, grandparent, grandchild, sister or brother of any member of the family, unless the PHA has granted a request for reasonable accommodation for a person with disabilities who is a member of the tenant household. Finally, for units constructed prior to 1978, owners must either 1) certify that the unit, common areas, and exterior have been found to be free of lead-based paint by a certified inspector; or 2) attach a lead-based paint disclosure statement.

Some PHAs find it more practical to use the phone to take down the primary information needed to begin processing the tenancy approval from the family and owner. This method may work best for small PHAs and in instances where the owner has been a past participant on the program and is in good standing. This method allows the PHA to schedule its unit inspection more quickly. Prior to execution of the assisted lease and HAP contract, however, the PHA must obtain a written request and ensure that the information is accurately recorded.

The PHA has the discretion to permit a family to submit more than one request for tenancy approval at a time.

8.8 PHA APPROVAL OF THE TENANCY

Before approving the assisted tenancy and executing the HAP contract, the PHA must ensure that the following program requirements have been met:

- Unit is eligible.
- Unit has been inspected by the PHA and meets HQS. (See Chapter 10.)
- Lease includes the tenancy addendum.

- Rent charged by owner is reasonable. (See Chapter 9.)

The following actions must be completed before the beginning of the lease term:

- The PHA must inspect the unit and determine that the unit meets HQS. (See Chapter 10.)
- The owner and the tenant must have executed the lease, including the HUD-prescribed tenancy addendum.
- The PHA must assure that there are no conflicts of interest and that the owner can be approved.
- For families receiving housing choice voucher program assistance for the first time, and where the gross rent of the unit exceeds the applicable payment standard for the family, the PHA must ensure that the family share does not exceed 40 percent of monthly-adjusted income. This cap is referred to as the maximum initial rent burden.

MAXIMUM INITIAL RENT BURDEN

TTP: $210 40 percent Adjusted Income: $280
Gross Rent: $650 Payment Standard: $550

Amount Gross Rent Above Payment Standard (650-550): $100
Family Share ($210 + $100): $310

$310 Exceeds 40 percent of Adjusted Income ($280).
Outcome: Family cannot rent the unit.

Eligible Units

The tenancy cannot be approved if the chosen unit is one of the following:

- Public or Indian housing unit;
- Unit receiving Section 8 project-based assistance. This includes units in Section 23 leased housing; Section 8 new construction, substantial rehabilitation, moderate rehabilitation, loan management, or property disposition; and Rural Housing Service and Section 202 projects with Section 8 subsidies or Rural Housing Service rent supplements;
- Nursing homes, board and care homes, or facilities providing continual psychiatric, medical or nursing services;
- College or other school dormitories;

- Units on the grounds of penal, reformatory, medical, mental, and similar public or private institutions;

- Unit occupied by its owner or by a person with interest in the dwelling unit. However, assistance may be provided to a family residing in a cooperative or to an owner of a manufactured home leasing a manufactured home space. (See Chapter 17 for special rules related to cooperatives, manufactured home space rental, and shared housing.)

Units owned or substantially controlled by the PHA administering the ACC for the housing choice voucher may be leased under the housing choice voucher program only if the following conditions are satisfied:

- Unit is not ineligible housing, as described above; and

- PHA informs the family, both orally and in writing, that the family has the right to select any eligible unit available for lease, and the family selects the PHA-owned unit freely, without PHA pressure or steering.

For the tenancy to be approved, the unit size must also be appropriate for the number of persons in the household. The following rules apply:

- Regardless of the number of bedrooms stated on the voucher issued to the family, the PHA must allow the family to rent an otherwise acceptable unit even if it is larger than the family needs.

- Similarly, the PHA must allow the family to rent an otherwise acceptable unit that is smaller than the size indicated on the family's voucher, as long as the unit meets HQS space standards, i.e. no more than two persons per living/sleeping room. (See Chapter 10.)

- The payment standard for the family is always the lower of the payment standard for the unit size listed on the voucher or the payment standard for the size of the unit rented by the family.

Unit Meets HQS

The PHA must determine that the rental unit selected is in decent, safe, and sanitary condition before approving the tenancy. This determination is made using HUD's Housing Quality Standards (HQS) and/or equivalent state or local standards approved by HUD. The PHA must notify the family and owner of its determination as to whether the unit meets HQS. For PHAs with 1,250 or fewer budgeted housing choice voucher units, the notice to the family and owner must be made within 15 calendar days after the family and owner submit the request for tenancy approval. The 15-day clock is suspended during any period when the unit is not available for inspection. For PHAs with more than 1,250 budgeted housing choice voucher units, the notice to family and owner must be made within a reasonable time after the family and owner submit the request for tenancy approval. (See Chapter 10.)

Rent Reasonableness

Prior to tenancy approval, the PHA must make a rent reasonableness determination by comparing the rent being charged by the owner to rents for comparable unassisted units in the area and to rents being charged by the owner for comparable, unassisted units on the premises. (See Chapter 9.)

If the proposed rent is determined to be too high and does not meet the rent reasonableness limitation, the PHA should engage in negotiations with the owner and attempt to reduce the contract rent or to include some or all of the utilities in the contract rent. It is often in the PHA's best interest to make its best effort to approve the tenancy and execute a lease and HAP. Starting over increases time and money spent on the leasing process and may increase frustration for all parties.

Notification to Owner and Family

After receiving the family's request for tenancy approval, the PHA must promptly notify the family and owner whether the assisted tenancy is approved. If the PHA approves the tenancy, the owner and the PHA execute the HAP contract. (See Chapter 11.*)* If the PHA determines that the assisted tenancy cannot be approved for any reason, the PHA must notify the owner and family and provide the reasons for disapproval. The PHA must also provide the owner and family with an opportunity to correct the problem(s) prior to a specific date established by the PHA.

8.9 PHA DISAPPROVAL OF OWNER

Owners Disapproved by HUD

The PHA must not approve the assisted tenancy if HUD or another party has informed the PHA that the owner is debarred, suspended, or subject to a limited denial of participation. "Owner" includes a principal or other interested party.

In addition, the PHA must not approve the assisted tenancy when it has been informed by HUD that:

- The federal government has instituted an administrative or judicial action against the owner for a violation of the Fair Housing Act or other federal equal opportunity requirements and such action is pending; or

- A court or administrative agency has determined that the owner violated the Fair Housing Act or other federal equal opportunity requirements.

Leases Between Relatives

The PHA must not approve the tenancy if the owner of the unit is the parent, child, grandparent, grandchild, sister, or brother of any member of the assisted family, unless approving the tenancy would provide reasonable accommodation for a family member who is a person with disabilities. This restriction only applies at the time the family initially receives housing choice voucher assistance for occupancy of a particular unit, but does not apply to a unit currently under an assisted lease.

Conflicts of Interest

PHAs must also not approve contracts in which any of the following parties have a current interest or will have an interest in the HAP contract for one year thereafter:

- Present or former member or officer of the PHA, except a participant commissioner;
- Employee of the PHA or any contractor, subcontractor or agent of the PHA who formulates policy or influences program decisions;
- Public official, member of a governing body, or state or local legislator who exercises functions or responsibilities related to the programs; or
- Members of U.S. Congress.

The HUD Field Office may waive the conflict of interest requirements, except for members of Congress, for good cause.

PHA Discretion to Disapprove Owners

A PHA may adopt a policy of disapproving owners for any of the specific reasons listed below. The PHA's policy must be clearly stated in its administrative plan. The reasons include:

- Violation of obligations under one or more HAP contracts;
- Acts of fraud, bribery or any other corrupt or criminal act in connection with any federal housing program;
- Participation in any drug-related criminal activity or any violent criminal activity;
- Current or previous practice of non-compliance with HQS and/or state and local housing codes or with applicable housing standards for units leased under any other federal housing program;
- Current or prior history of refusing to evict housing choice voucher program or other assisted housing tenants for activity by the tenant, any member of the household, a guest, or another person under the control of any member of the household that:

- Threatens the right to peaceful enjoyment of the premises by other residents;

- Threatens the health or safety of residents, PHA employees, of owner employees;

- Threatens the neighbors' health or safety, or neighbors' right to peaceful enjoyment of their residences; or

- Engages in drug-related criminal activity or violent criminal activity; and

- Fails to pay state or local real estate taxes, fines, or assessments.

When the PHA decides not to execute HAP contracts with an owner for reasons described in the PHA's administrative plan, the decision affects only prospective (future) contracts. Participants residing in units belonging to the identified owner must not be asked to move solely because of a decision to disapprove the owner.

8.10 TENANT SCREENING

Tenant screening and selection are the responsibility of the owner. At or before tenancy approval by the PHA, the PHA must inform the owner of this responsibility. PHAs are required to give the owner the following information:

- Current and prior address of the prospective housing choice voucher tenant, as recorded by the PHA; and

- Name and address, if known to the PHA, of the prospective tenant's current and prior landlord.

The PHA may adopt a policy of offering owners other information it has about a family, including tenancy and drug trafficking information. The PHA's policy must also be included in its administrative plan and in the information packet that the family receives at the briefing. The PHA must provide the same types of information to all families and to all owners. The policy must not violate any state or local laws.

The PHA should encourage owners to consider a family's background with respect to such factors as:

- Payment of rent and utilities;
- Care of unit and premises;
- Respect for the rights of other residents to the peaceful enjoyment of their housing;
- Drug-related criminal activity or other criminal activity that threatens the health, safety, or property of others; and
- Compliance with other essential conditions of tenancy.

Although tenant screening and selection remain the function of the owner, PHAs may opt to screen for family behavior or suitability for tenancy. (See Chapter 5.)

8.11 LEASE AND TENANCY

The tenant must have legal capacity to enter into a lease under state or local law. "Legal capacity" means that the tenant is bound by the terms of the lease and may enforce the terms of the lease against the owner.

The tenant and the owner must enter and execute a written lease for the unit. The lease must be in the standard form the owner uses in the locality for rental to unassisted tenants. The HAP contract prescribed by HUD contains the owner's certification that, if the owner uses a standard lease form for rental to unassisted tenants, that lease form is used for the assisted unit as well. If the owner does not use a standard form of lease to unassisted tenants, another form of lease may be used.

The lease must include the following information:

- Names of the owner and tenant;
- Unit address;
- Term of the lease, including initial term and provisions for renewal;
- Amount of monthly rent to owner;
- Specification of what utilities and appliances the owner must supply and what utilities and appliances the family must supply.

The lease must also include verbatim the HUD-prescribed tenancy addendum. The tenancy addendum can also be found in Part C of the HAP Contract for the Housing Choice Voucher Program. The tenancy addendum sets forth the tenancy requirements for the program and the composition of the household, as approved by the PHA. The owner must sign the lease and HUD tenancy addendum with the prospective tenant; the tenant has the right to enforce the tenancy addendum against the owner. The terms of the tenancy addendum prevail over any other provisions of the lease.

The PHA's role in reviewing the lease is limited. The PHA may review the lease to determine compliance with state and local law and may deny the request for tenancy if it determines noncompliance. If the owner does not use a standard lease form, PHAs may encourage the owner to obtain a standard form from a local realtor or other reliable source. The use of a model lease provided by the PHA should be limited to those rare cases where the owner cannot locate an acceptable standard form. If a PHA-provided model lease is used, it should not refer specifically to the PHA or the housing choice voucher program.

It is important that the family and owner understand the terms of the lease and HAP contract documents. Once the documents are prepared, some PHAs schedule a joint meeting with the family and owner to review these documents. In addition to reviewing the specific terms of the lease and contract, the PHA can use this meeting to clarify owner requirements for participating in the program, reinforce tenant requirements for participating in the program, clarify points of contact within the PHA, and answer any questions or respond to any comments or concerns.

8.12 TERM OF ASSISTED TENANCY

The initial lease term must be for at least one year, except that the PHA may approve a shorter term if that would improve housing opportunities for the tenant and is the prevailing local market practice. During the initial lease term, the owner may not raise the rent to owner, except when permitted by special rules for subsidized units. The PHA may approve the tenancy and execute a HAP contract even if there is less than one year remaining from the beginning of the lease term and the end of the last expiring funding increment under the consolidated ACC. The lease must include provisions for its renewal.

The lease term runs concurrently with the HAP contract term. If the lease terminates, the HAP contract terminates. Whenever the owner elects to execute a new lease, a new HAP contract is also required.

The term of the new lease or contract for a new unit may begin in the same month in which the participant moves out of his/her previous assisted unit. This is not considered a duplicative subsidy.

8.13 MAINTAINING DATA ON ISSUANCE, SEARCH TIME AND SUCCESS RATES

A PHA must meet its leasing schedule for any new increments of units and maintain a leasing rate of at least 95 percent of the number of units under ACC. To meet these requirements, a PHA must regularly monitor housing choice voucher issuance and its families' success in leasing units. Regular monitoring ensures that estimates regarding the number of housing choice vouchers to issue are as accurate as possible. It can also help to identify trends, challenges, and the effects of factors such as seasonal variances in the rental market or PHA administrative and policy decisions on a family's ability to lease a unit.

WHY TRACK THE HOUSING SEARCH AND LEASING PROCESS?

- To determine why housing choice voucher holders are not successful and make necessary changes and improvements to remedy problems.
- To determine the ratio of vouchers issued to units leased.

Tracking housing choice voucher issuance begins with a good numbering system. HUD does not specify a system for tracking and numbering vouchers. For the regular housing choice voucher program, PHAs must be able to report leasing activity for the entire program and not by funding

increment. A PHA's tracking system, however, should be able to separately track leasing activity for special programs. While automated systems are most efficient and accurate, a manual system may suffice, depending upon the size of the PHA and the number of vouchers issued annually. It is important that staff responsible for monitoring the lease-up process understand how the tracking systems work.

OPTIONS FOR NUMBERING VOUCHERS

Number system reflects the unit allocation. For example, for a PHA with 50 Section 8 units, the vouchers are numbered one through 50. Subsequent use of a voucher is recorded using a numeric or alphabetic code. For example, the fifth time the voucher number 20 is used would be coded as 20-5.

Sequential numbering system. Each time a voucher is issued or re-issued it is assigned the next available number. This method requires that a system be developed to track the number of "active" vouchers at any given time.

Numbering System that tracks individual allocations. The voucher can be tracked according to the project number or year the allocation was made. For example, vouchers allocated in year 2000 would be numbered 2000-1, 2000-2, 2000-3, etc.

By keeping track of vouchers that are issued, extended and expired, a PHA can ensure that it reissues a voucher to the next eligible applicant on the waiting list as soon as it becomes available. The key to success is determining as accurately and quickly as possible the number of vouchers to issue and understanding that this number may change at any given time.

ACHIEVING LEASING GOALS
KEY FACTORS FOR ANALYSIS

- Total unit allocation under the housing choice voucher program
- Number of units currently available
- Percent of vouchers issued that result in HAP contracts
- Percent of vouchers issued that do not result in HAP contracts
- Number of voucher extensions and average time of extension
- Number of program terminations

Chapter 24 provides additional information on monitoring voucher utilization.

EXHIBIT 8-1
HOUSING SEARCH PROGRESS REPORT

UNIT ADDRESS	HOW FOUND (NEWSPAPER, FOR RENT SIGN, WORD OF MOUTH, ETC.)	NAME/NUMBER OWNER OR MGMT AGENT	DATE CONTACTED	UNIT SEEN YES / NO	OUTCOME

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CHAPTER 9
RENT REASONABLENESS

9.1 CHAPTER OVERVIEW

PHAs must ensure that rents charged by owners to housing choice voucher program participants are reasonable. This determination involves two comparisons. First, the PHA must compare the rent for the voucher unit to rents for similar unassisted units in the marketplace. Second, the PHA must compare the rent to rents for similar units on the premises.

Ensuring rent reasonableness is very important for effective program operations. If a PHA approves rents that are too high, government funds are wasted, limited housing subsidies are squandered, and speculators may exploit the program to outbid potential homeowners. If rents are approved at levels lower than comparable units in the private market, the better owners do not participate in the program, or they participate only with their lowest-cost and lowest-quality units. In addition, families may be inappropriately restricted in where they can live.

Doing a good job of determining rent reasonableness is especially critical when a PHA uses its authority to set a payment standard higher than the FMR for all or a portion of its jurisdiction. Some owners will apply pressure to increase their rents to, or closer to, the payment standard. PHAs must be careful to not overpay, or the effect will inflate rents in a whole portion of the market.

9.2 PROGRAM REQUIREMENTS

When Rent Reasonableness Determinations Are Required

PHAs must determine rent reasonableness in all of the following four instances:

- *Before entering into a HAP contract.* A PHA must not execute a HAP contract until it has documented that the charged rent is reasonable.

- *Before any increase in the rent to owner*. Before the PHA may approve any rent increase to the owner, the PHA must determine and document whether the proposed rent is reasonable compared to similar units in the marketplace and not higher than those paid by unassisted tenants on the premises.

- *If there is a five percent decrease in the published FMR (for the unit size rented by the family) in effect 60 days before the contract anniversary date as compared with the FMR in effect one year before the contract anniversary date*. This provision is designed to ensure that when the market goes down by a significant amount (i.e., a five percent or more reduction in the FMR) the PHA must reexamine rent reasonableness at the contract anniversary date, even if the owner does not propose a rent increase. When determining if this provision applies, the PHA must compare the FMR in effect 60 days prior to the

upcoming HAP contract anniversary date with the FMR in effect one year before the upcoming anniversary date.

FIVE PERCENT DECREASE IN FMR

HAP Contract Anniversary Date:	12/01/01
New FMR Effective Date:	10/1/01
Old FMR:	$500
New FMR:	$475

Is Effective Date of new FMR 60 days or more before the contract anniversary date?
Yes. 31 days October + 30 days November = 61 days

Is the decrease in the FMR equal to or greater than five percent?
Yes. $500 – $475 = $25 (500 x .05) = $25

In this example, the decrease from $500 to $475 represents a five percent decrease and would activate the provision. If the FMR decreased from $500 to $480, no rent reasonableness determination would be required. The PHA could choose, however, to initiate a review of rent reasonableness.

- *If directed by HUD*. If HUD has reason to question the PHA's system or the accuracy of the determinations, it may require the PHA to conduct rent reasonableness reviews on all or a portion of its units.

In addition to the four instances cited above, the PHA may also determine rent reasonableness at any other time. At all times during the assisted tenancy, the rent to the owner may not exceed the most recently determined or redetermined reasonable rent amount.

Comparability

In conducting rent reasonableness, the PHA must determine whether the rent to the owner is a reasonable rent in comparison to rent for other comparable unassisted units. In determining comparability, the PHA must consider:

- Location, quality, size, unit type, and age of the contract unit, and

- Amenities, housing services, maintenance, and utilities the owner must provide under the lease.

Rent Control

In addition to rent reasonableness requirements, state or local rent control limits rents may regulate rents. In regulated localities, rents are limited to the lesser of the PHA-determined reasonable rent or the rent controlled amount unless units leased under the voucher program are exempt from local rent control under the local rent control ordinance.

Owner Certification of Rents Charged for Other Units

By accepting each monthly housing assistance payment from the PHA, the owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units on the premises. The owner must provide information requested by the PHA on rents charged by the owner for other units on the premises. The language of the HAP contract states this requirement.

Documenting the Rent Reasonableness Decision

In each case where the PHA is required to determine rent reasonableness, it must document its decision and the basis for it (i.e., information on the unassisted units compared) in the tenant's file. This documentation should identify who conducted the rent reasonableness determination and when.

9.3 DEVELOPING AND MAINTAINING A DATABASE OF UNASSISTED UNITS

Identifying the Population of Rental Units

Whether a PHA is conducting its own survey, developing a request for proposals to hire a third party to conduct a survey, or evaluating an existing database, it must first have a clear understanding of where the rental housing is located in the community. This knowledge of the rental market helps to ensure that the database includes a representative number of affordable units in the local market and each submarket.

Census data, which is available from the HUD Communities 2020 database, can be used to identify the location and type of rental housing throughout the market area. Census rent data may be dated, but the information about the location and type of rental housing should still be useful. From the census data, PHAs may create a table that identifies, by census tract (or group of census tracts that make up a neighborhood or distinct submarket area), the number of units by bedroom category and by unit type. This can help in determining whether the data collected is representative of the rental market. It can also help direct sample design or efforts to enhance an existing database. (See Exhibit 9-1, *Sample Survey Form for Unassisted Units*.)

In some localities, rental property listings may be available from licensing or taxing authorities. Although it is not typical, some localities license all rental properties. Other localities only license properties with four or more units, 12 or more units, and so forth. Many do not license or do not maintain an automated list of licensees. Where licensing does occur, obtaining a list of these units by location, size and type can provide a picture of the overall rental market.

Utilizing Existing Studies and Databases

Some PHAs will be able to obtain access to existing studies of rents in their communities; however, such studies frequently do not have all the detailed information required for rent reasonableness comparisons. Some local governments conduct such surveys to assist with

planning activities, and in some larger communities, commercial firms may conduct these surveys. Often local associations of rental owners and managers survey their members periodically and publish the results. Many of these surveys report average rents and/or rent ranges by bedroom category and submarket location.

When using these studies, it is very important to understand what is and what is not included in the rent reported. Some studies report rents with all utilities included, some without any utilities included, and others with only the most typical set of utilities included. In order to compare unassisted units with program units, it is important to make the necessary adjustments so that utilities are treated consistently. Many of these existing surveys are designed to show the overall picture of the rental market and may not be very useful in evaluating the rent for a particular unit type.

Creating a Database

Many PHAs conduct, hire a firm to conduct, or partner with another organization to fund or conduct periodic surveys of the rental market. It is important to recognize that PHAs typically need more detailed information about the units and developments than other users of the data. For example, local governments may be more interested in the average and range of rents than they are in comparing rents for similar units in the same neighborhood.

When designing its own survey, the PHA should consider how it will obtain the information on all nine factors for comparing units. Some suggestions:

- *Focus on currently vacant units or units leased within the past two years*. The key for rent reasonableness is to be able to compare the rents for proposed program units to the rents for units currently or very recently placed on the market. To include rents for units occupied for several years is likely, in most markets, to understate the rents new tenants will have to pay. On the other hand, in some communities the asking rent is frequently higher than the actual rent owners are willing to accept. In those communities, the PHA should also obtain information on the actual rents for recently rented units to determine the actual market rent for the comparable units.

- *Collect information on rents above the PHA's payment standard*. Voucher families may choose to rent units above the payment standard. As a rule of thumb, the PHA should collect data on units with gross rents at least 20-25 percent above the greater of the payment standard or the FMR, including any HUD approved exception payment standards.

- *Share rent reasonableness data with PHAs with overlapping jurisdictions.* If a PHA's jurisdiction overlaps with that of another PHA, or if two PHAs agree to follow their participants into the other's jurisdiction, both must obtain sufficient data to make an informed rent reasonableness determination in the other jurisdiction. In this and other situations of overlapping jurisdictions, it may benefit all parties and provide more consistency for owners and tenants if the PHAs collaborated in the area of rent reasonableness. Options include sharing rent reasonableness databases or making fee arrangements whereby the "receiving"

PHA conducts inspections and rent reasonableness for the initial PHA. This avoids having different HQS and rent reasonableness standards applied in one jurisdiction and it avoids formal portability processing.

Sources of Rental Information on Vacant Units

The following identifies sources of information on vacant units within the market. The discussion is divided between larger complexes, which almost always advertise vacancies and always have a current rent, and smaller complexes and single family homes, where a new market rent is only determined when a vacancy occurs, and vacancies may occur infrequently.

Data on Larger Complexes

In many ways, it is easier to obtain information on larger complexes. They often advertise, have vacant units or anticipate vacancies almost all the time, have a current rent established for each unit type, and are accessible during working hours, either at a management office or an on-site office. The following describes some sources of information on these developments.

In most metropolitan areas, larger complexes are listed on one or more internet sites as well as in local newspapers. Typically, these sites advertise units for prospective tenants, both locally and to persons planning to move to that community. Many provide a considerable amount of information about rents, utilities, amenities and other factors. Some provide photographs and floor plans on the internet and some have video tours of the development or a sample unit. Although valuable resources, newspaper and internet listings seldom provide all the information the PHA needs to meet rent reasonableness requirements. These listings usually require a follow-up call to obtain the missing information, but this is typically a much shorter call because of the information available in the advertising.

Newspaper and internet listings often contain either the lowest rent or the range of rents when rents vary among units with the same number of bedrooms. The PHA can follow-up to determine what causes the rents to vary (e.g., unit size, location in the development, number of bathrooms, amenities), and record each configuration as a separate comparable.

The following are websites that provide rental listings for many parts of the country. In addition, most of the major web browsers provide access from their home page to one or more rental housing listing services.

- www.apartmentguide.com

- www.apartments.com

- www.forrentmag.com

  This is the website for the *Apartments for Rent* magazines that are available in many communities throughout the country.

- www.rent.net

- www.springstreet.com
  This site is also reachable through www.allapartments.com.

While there is some overlap, it is typical that an apartment complex or a management company will choose to pay to have their development(s) listed on only one of these sites.

In addition to printed rental ads, many newspapers now post their ads on the internet. Almost all newspaper ads will require follow-up phone calls to obtain the details needed for rent reasonableness comparisons.

Data on Smaller Complexes

Obtaining information on single family home rentals and small developments is often more difficult. Many of these owners are harder to reach since many only respond to inquiries during evenings and weekends. Most list only when they have a vacancy and are only willing to provide information when a unit is available. Because of this difficulty, some PHAs ask owners with single family or small development rentals who lease units under the housing choice voucher program to provide information about any non-program units they may operate in the PHA's jurisdiction that can be added to the database.

In addition to lists of properties licensed as rental units, and lists of owners who lease in the housing choice voucher program and may have other available unassisted units, the following are potential sources of information:

- Newspaper ads (including internet versions of newspaper ads);

- Weekly or monthly neighborhood or shopper newspapers that have rental listings;

- "For Rent" signs in windows or on lawns;

- Bulletin boards in community locations, such as grocery stores, laundromats, churches, and social service offices; and

- Real estate companies that handle rental property.

The best sources vary from community to community. PHAs must learn how owners of smaller developments market their vacant units in order to locate them for comparability and to recruit new owners to the program.

Updating the Database

Large Complexes

For large complexes with internet or detailed newspaper listings, it is often possible to update the rent information simply by viewing the current internet listing. Typically, the only thing that will have changed is the rent. This enables the PHA to update the rent without having to call the owner or manager. However, if the change in rent seems unusual (i.e., an increase or decrease that is disproportionate to changes for similar units), the PHA should contact the site to determine if other changes have occurred since the last update. For example, a larger than expected increase might result if there has been a major remodeling or if utilities have been shifted from the tenant to the owner. A reduction, or smaller than expected increase, might result if utilities have been transferred from the owner to the tenant.

By updating these listings periodically, PHAs may be able to avoid having to conduct a more expensive, comprehensive survey. The work involved in updating the database could be spread out (e.g., geographically or by listing site) with some updating occurring each month. PHAs should always indicate in their documentation the date of the data collection, so that they know how old it is when using or updating the data.

How often the data should be updated depends upon market conditions. In some communities, it may be adequate to update the information every two years. For rapidly changing markets, however, it may be appropriate to update the database quarterly.

Smaller Developments

For smaller complexes, updating the rent on a unit now in the database may be much more difficult and possibly less useful. Owners are likely to be much less willing to provide updated information if they have no vacancies. In addition, if they have no vacancies, the rents for current tenants may reflect tenancy discounts rather than what the owner would charge if the unit became vacant. In cases where follow-up is conducted, the PHA should identify how long any existing tenant has been in the unit to help gauge how relevant this rent is compared to what a tenant would have to pay to compete for a vacant unit. In some markets, there may be very little difference, but in many markets and for many owners, tenants who have been in the unit and paying rent for a period of time are considered a lesser risk requiring less rent than a new tenant. In addition, an owner may be willing to charge less for a “bird in the hand,” particularly considering the costs of turnover. So owners often try harder to keep current tenants happy, particularly in a high vacancy market.

Because of the difficulty in going back to the same units, PHAs may want to consider this part of their database to be a “rolling” database to which they continually add new vacant rentals and drop outdated entries, particularly if they experience difficulty in obtaining updates for leased units.

Some PHAs assign staff to follow-up on all newspaper listings for these smaller complexes every week. Other techniques include encouraging staff, particularly inspection staff, to look for "For Rent" signs at smaller developments. The PHA may wish to assign staff to follow-up by telephone to get all the needed information to add these units to the database.

PHAs should be cautious about adding some smaller complexes to the database, particularly single family homes rented by owners who have few other rental properties. Sometimes these owners are not aware of, or concerned about, the true market value of their units and set a price based upon their costs. For example, they may set the rent to cover their costs from a nearly paid off mortgage plus a little profit and reserve; this may be well below the market rate. Including these units in the database can cause the PHA to inappropriately restrict rents for other units that are being offered at a market rate.

If the PHA uses this rolling database approach, it is constantly updating its database and may be better able to recognize the start of trends in rent changes in the market quite early. The objective is to know the market well enough to make the best judgment possible in reviewing the rent of a unit.

PHAs should have a standard form for collecting the data on unassisted units that includes all the needed information under the regulations. Exhibit 9-1 provides a sample form.

9.4 COLLECTING THE NEEDED DATA ON PROGRAM UNITS

In order to compare program units to market units, it is necessary to collect comparable information on the program units. Some of the data is routinely collected at the inspection of the unit, but many PHAs do not collect information on all nine factors.

The request for tenancy approval and inspection typically contains the information on the rent being charged, the utilities and their source that must be paid by the tenant, and the type, size and condition of the unit. But many PHAs do not collect information on all features of the unit and complex, including amenities and facilities.

Exhibit 9-2, *Rent Reasonableness Data for Program Unit*, provides a sample form designed to collect information on all items. A PHA should consider adding any data not now collected during its inspection process to existing forms or adding the data to a supplemental form for new units. The PHA may wish to add this information to an automated record for the unit in order to retain it for future rent reasonableness comparisons for that unit. The inspector should print out the information prior to the next inspection to determine if any changes to the unit have occurred before determining rent reasonableness for a rent increase or for a new tenant in the unit.

9.5 MAKING AND DOCUMENTING THE RENT REASONABLENESS DETERMINATION

Most PHAs' markets contain important submarkets (i.e., the same housing unit would rent for a different amount in a different location within the PHA's jurisdiction). Therefore, it is important

for PHAs to make these submarket distinctions and to obtain data on each submarket that includes rental units within the range of affordability to voucher holders.

Not all of the factors that HUD requires PHAs to review have the same effect on rents, and there is considerable variation on what is important from market to market. However, the three most important factors in explaining differences in rents are the location of the unit, number of bedrooms in the unit, and type of unit (e.g., highrise, garden apartment, duplex, single family home). Other factors have varying importance for rent depending upon the marketplace. It is important for a PHA to really understand what affects rents in its market. In some markets a feature might affect the rent, but in another it might only affect the desirability of the unit; this desirable feature might result in it renting faster but not in more rent. PHAs should focus on the items that really affect rents.

Point and "Dollars Per Feature" Systems

Some PHAs use systems that attempt to summarize the features of a unit using a number system. Some select first for location and number of bedrooms (and perhaps also building type) and then compare points designed to cover the other aspects of the variables for comparison. These can be very effective if the points really reflect differences for which owners are able to charge more rent. However, PHAs must be careful not to assign points to elements that may make a unit more desirable but do not result in a higher rent. There are two aspects to an owner's gross income from a rental unit: the rental rate and the occupancy rate. Some features translate to higher rent and others may be important for maintaining a high occupancy rate. Having a feature that allows the unit to be leased faster and stay leased more of the time is of great value to the owner, but it does not justify a higher rent.

Knowing what really affects rents requires considerable knowledge of the rental market. PHAs that would like to use such a system may wish to interview some local experts on the rental market. Through a series of interviews the PHA should be better able to distinguish what features affect rents and those that increase desirability but do not affect rents. Such interviews may prove most productive if conducted by a panel of PHA staff.

A similar caution should be applied to rent reasonableness systems that add dollars for certain features (e.g., $5 for a second bathroom). PHAs should make sure that the value it places on a feature is accurate, either through comparison of multiple rents in the marketplace, or by interviewing experts. It is very easy to add dollars for features that do not really result in increased rents, or only result in an insignificant increase.

Compare to Specific Units

Often, a rent reasonableness determination is not a simple process. PHAs should focus their considerations on the factors that affect rent rather than try to measure against an arbitrary standard of average rents. The danger in a standard is that poorer quality units are likely to be overpaid and higher quality units underpaid. In addition, ranges or averages should be determined for the submarket areas within the marketplace. The broader the area for the range or

average, the more likely is an under/overpayment for particular units. It is better to compare to specific units.

Once the staff member has identified the units most comparable to the program unit, the staff member should place information on the comparable units in the file. Exhibits 9-3, *Sample Comparison of Program and Comparable Units* and Exhibit 9-4, *Suggested Format Rent Reasonableness Checklist*, provide two alternative sample forms for recording the data on the program and comparable units for placement in the tenant file. The person conducting rent reasonableness should provide sufficient information about the evaluation process so that an auditor or supervisor can understand how the comparables were used to determine the appropriate rent for the program units.

If the initial location selection provides very few units from the database, the analyst may need to expand the geographic area to include more units for comparison. However, the analyst should take into account this distance and make the best determination possible about the comparability of the units. Documentation in the file should trace the analyst's steps, analysis and conclusions.

In some cases, particularly in areas where there are few rental units, it may be hard to identify units that match on location, building type and number of bedrooms. In these cases, the analyst may need to review the database to locate units that (a) have the same number of bedrooms and building type but in a broader geographic range, or (b) have the same number of bedrooms and are in the same geographic location but are in other types of buildings. Knowledge of the comparative housing markets and general variations in price by type of building, along with some creativity, may be needed in cases where there are few direct comparables in the data base. The following example illustrates this point.

USING DATA FROM AN ADJACENT NEIGHBORHOOD

The proposed program unit is located in geographic Area A, has three bedrooms and is a garden apartment. The proposed rent is $1,220. There are no other garden apartments in Area A in the database. If there are other garden apartments in Area A, the analyst might try to obtain information about them. However, if there are no other garden apartments in Area A, then the analyst might look at 3-bedroom single family homes in Area A and compare them with information on both garden apartments and single family homes in nearby Area B. The information found (all rents are gross rents) is:

	Area A	Area B
3-bedroom garden apartment	(none)	$1,400
3-bedroom single family home	$1,400	$1,600

The single family homes in Area B (that are similar to those in the database for Area A) are about 14 percent higher than garden apartments in Area B. If one estimates a rent for a garden apartment in Area A that is 14 percent below that of the single family homes in Area A the result is $1,228. Assuming the other factors for comparison are generally equal, this should provide one indication that the proposed rent is comparable.

Value of Accessibility

For the family that requires an accessible unit, the accessible features may justify a higher rent. For such families, the rent reasonableness determination must take those features into account. In a community where there are few such units, the PHA may be justified in allowing a higher rent.

Units with Other Forms of Subsidy

In properties subsidized by the federal government through programs such as the FHA Section 221(d)(3), Section 236, and the direct loan Section 202 programs or the Rural Development Administration's Section 515 program, the rent to owner is always the subsidized rent approved by the appropriate agency of the federal government. For example, in a Section 236 property the rent to owner is the HUD approved basic rent for the unit. This rent will always be lower than the full market rent for the unit. It is important that PHAs do not include these types of units in their databases for comparability purposes.

9.6 STAFFING THE RENT REASONABLENESS FUNCTION

The rent reasonableness function is performed by a wide variety of positions at various PHAs. In smaller PHAs, it may be conducted by the program directory. The inspectors, the inspection supervisor, the occupancy specialists, case managers, or their supervisor, may all determine rent reasonableness. Some larger PHAs have created a more specialized market analyst position that is responsible for rent reasonableness. In some cases rent reasonableness may be determined by one position for new units but by another for rent increases.

There should be written guidance describing how the database will be maintained and how rent reasonableness determinations will be made and documented. Clear performance standards should be set and there should be monitoring and quality control throughout the year, with training and feedback regarding both good and inadequate performance.

9.7 QUALITY CONTROL

PHAs should implement a program of quality control reviews of rent reasonableness decisions. The review should also ensure that all determinations are consistent with PHA procedures and properly documented in the files If the PHA assigns responsibility for maintaining the database, it should also require periodic reviews of the size and representation of the database in comparison to established PHA standards.

It is important for program managers to remain involved in the rent reasonableness process and to ensure that staff are performing in accordance with PHA and HUD requirements. If this function is not closely monitored, it is possible to establish an adversarial or cozy relationship with the owners. If staff members receive their performance evaluations entirely upon how happy the owners are, it may be too easy to approve higher rents to achieve that measure. If they

are evaluated on how low the rents are, then an adversarial relationship or arbitrarily low rents may results.

9.8 SEMAP

SEMAP Indicator 2, Reasonable Rent, measures whether the PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based upon current rents for comparable unassisted units. The voucher program rule requires that the PHA's system for determining comparability and reasonable rent take nine factors into consideration: location, size, type, quality and age, amenities, housing services and maintenance, and utilities provided by the owner under the lease.

Each fiscal year, the PHA must draw a random sample of participant files in order to document evidence that the PHA has followed its procedures and that each rent to owner is reasonable. This quality control review must examine rent reasonableness documentation for each time during the fiscal year that a unit in the sample was leased or received a rent increase. There must also be rent reasonableness documentation if there was a five percent decrease in the FMR in effect 60 days before the HAP contract anniversary for any unit.

The current SEMAP Indicator 2 evaluates only the process of determining rent reasonableness. At this time, HUD cannot accurately measure whether or not the rents being charged by owners are actually reasonable through SEMAP or from any national database. It is important for PHAs to realize that, even though HUD only evaluates the process, ensuring the reasonableness of rents owners charge is a critical management function. It is possible for a PHA to have a system that contains the elements to achieve a passing score on SEMAP without really doing a good job of determining rent reasonableness. The real key to successful program operation is to have the data, experience, and knowledge of the housing market necessary to make an informed and careful judgement about the reasonableness of the rent.

To do this correctly, the PHA staff must have sound judgement. Arbitrary systems that set fixed limits for rents in particular areas by unit type and bedroom size are not recommended and do not meet voucher program requirements. These systems are risky because they may result in some owners being overpaid for program units, some being underpaid, and still others withdrawing from the program due to low rents.

EXHIBIT 9-1
SAMPLE FORM -- SURVEY FORM FOR UNASSISTED RENTAL UNITS

Date of Data Collection:_____ Name of Data Collector:_____

Unit Location:
Name of Building (if any): _____
Address of Unit/Building:_____
_____

Owner/Manager Information: ___Owner ___Mgmt. Company ___On-Site

Name: _____
Address: _____ Phone: _____
_____

Building Type:
High-rise (9+ stories): _____ Elevator?____ yes _____no
Mid-rise (5-8 stories): _____ Elevator?____ yes _____no
Garden (1-4 stories): _____ Elevator?____ yes _____no
Townhouse: _____
Duplex: _____
Single Family House: _____

Unit Sizes and Rents:

No. Bedrooms	No. Bathrooms	Starting Rent *	Square Feet	No. of Units	No. Vacant
			Total		

***** Starting rent is the market-rate rent that would be charged if the unit became available today. If the building has subsidized units, be sure that the starting rent recorded is for the unsubsidized, market-rate units.

Unit Amenities Provided by Owner:
Central A/C: ____ yes _____no Window A/C Units: ____ yes ____no
Carpeting: ____ yes _____no Dishwasher: ____ yes ____no
Garbage disposal: ____ yes _____no Washer/dryer: ____ yes ____no
W/D connections: ____ yes _____no Other: (specify_____) ____ yes ____no
(e.g., balcony, patio, private fenced yard)

Are there differences in the rent charged for units of the same bedroom and bathroom size, depending upon, for example, unit location (balcony vs. patio, inside unit vs. outside unit)? Please explain.

_____
_____

Utility Information to Calculate Gross Rent:

Utility	Paid or Provided By:		Fuel Source		
	Owner	Tenant	Gas	Electric	Oil
Heat					
A/C					
Hot Water					
Cooking					
Electric					
Water/Sewer					
Garbage Pick-up					
Stove					
Refrigerator					

Building Age: Year building built:_____ Year last major rehab completed:_____

Quality: Check the description that best applies;
____ A. Newly constructed or completely renovated.
____ B. Well maintained and/or partially renovated.
____ C. Adequate, but some repairs may be needed soon. Some minor maintenance may be needed. No renovation since construction.

Building Facilities:
Playground: ____ yes _____no Laundry Facilities: ____ yes _____no
Covered/Garage Parking: ____ yes _____no Off-Street Parking: ____ yes _____no
Storage Outside Unit: ____ yes _____no Community Room: ____ yes _____no

Management and Maintenance Services (if applicable):
Is there on-site: Management staff? ____ yes _____ no
Desk service? ____ yes _____ no
Maintenance staff? ____ yes _____ no
Are there other management or maintenance services available, such as a security guard or janitorial services?
_____

Neighborhood/Location Characteristics:
What is the nearest public transportation?_____ How many blocks away?_____
What is the nearest cross street to the unit?_____ Please note any special features of the building, unit, grounds, location or neighborhood that might help the Program Manager/Market Analyst compare this unit and its rents to other units in the area:_____

Other Information:
How many units are accessible to the disabled?____What bedroom size?_____
How does the rent for accessible units differ from rent charged for regular units?
_____
Is occupancy limited to a particular clientele (elderly, disabled)?____ yes _____no.
If yes, who?_____
Are there subsidized units in the building?____ yes _____no. If yes, how many?_____
Does the owner accept housing choice vouchers?____ yes _____no.

EXHIBIT 9-2
SAMPLE FORM --RENT REASONABLENESS DATA FOR PROGRAM UNIT
(To be completed as part of the Unit Inspection)

Date of Inspection: _____ **Inspector's Name**: _____

Unit Location:
Name of Building (if any): _____
Address of Unit/Building: _____
_____

Building Type:
High-rise (9+ stories): _____ Elevator?____ yes _____no
Mid-rise (5-8 stories): _____ Elevator?____ yes _____no
Garden (1-4 stories): _____ Elevator?____ yes _____no
Townhouse: _____
Duplex: _____
Single Family House: _____

Amenities Provided by Owner:
Central A/C: ____ yes _____no
Carpeting: ____ yes _____no
Garbage disposal: ____ yes _____no
W/D connections: ____ yes _____no
Window A/C Units: ____ yes _____no
Dishwasher: ____ yes _____no
Washer/dryer: ____ yes _____no
Other: _____ ____ yes _____ no
(e.g., balcony, patio, private fenced yard)

Utility Information to Calculate Gross Rent:

Utility	Paid or Provided By:		Fuel Source		
	Owner	Tenant	Gas	Electric	Oil
Heat					
A/C					
Hot Water					
Cooking					
Electric					
Water/Sewer					
Garbage Pickup					
Stove					
Refrigerator					

Building Age: Year building built:_____ Year last major rehab completed:_____

Building Facilities:

Playground: ____ yes _____no
Covered/Garage Parking: ____ yes _____no
Off-Street Parking: ____ yes _____no
Storage Outside Unit: ____ yes _____no
Laundry Facilities: ____ yes _____no
Club House: ____ yes _____no
Pool: ____ yes _____no

Management and Maintenance Services (if applicable):

Is there on-site: Management staff? ____ yes _____no
Desk service? ____ yes _____no
Maintenance staff? ____ yes _____no

Are there other management or maintenance services available, such as a security guard or janitorial services?

_____

_____

Other Information:

Is the unit wheelchair accessible?____ Is the unit designed or adapted with other specific features to make it accessible to disabled persons?____ Are there differences in the rent charged for units of the same bedroom and bathroom size, depending upon, for example, unit location (balcony vs. patio, inside unit vs. outside unit)?

_____

Location Features:

What is the closest public transportation?_____ How many blocks away?_____
What is the nearest cross street to the unit?_____
Please note any special features of the building, the unit, the location or the neighborhood that might help the Program Manager/Market Analyst in determining the reasonable rent for this unit.

_____

Overall Quality Rating:

_____ A. Newly constructed or completely renovated.
_____ B. Well maintained and/or partially renovated.
_____ C. Adequate, but some repairs may be needed soon. Some minor maintenance may be needed. No renovations since construction. (Meets HQS standards.)

_____

Signature of Inspector Date:

EXHIBIT 9-3
SAMPLE COMPARISON OF PROGRAM AND COMPARABLE UNITS

Comparability Category	Program Unit	Comparable #1	Comparable #2	Comparable #3
Date data gathered				
Address				
Rent to Owner				
Utility Allowance				
Gross Rent				
Census tract				
Neighborhood				
Unit Type				
Number of bedrooms				
Number of bathrooms				
Wheelchair accessible	9	9	9	9
Year built				
Date of Most Recent Remodeling				
Quality				
Amenities:				
Central Air Conditioning	9	9	9	9
Window Air Conditioning	9	9	9	9
Carpeting	9	9	9	9
Dishwasher	9	9	9	9
Garbage disposal	9	9	9	9
Washer/dryer provided	9	9	9	9
Washer/dryer hookups	9	9	9	9
Other_____	9	9	9	9
Facilities:				
Playground	9	9	9	9
Covered/garage parking	9	9	9	9
Off-street parking	9	9	9	9
Laundry facility	9	9	9	9
Storage outside the unit	9	9	9	9
Pool	9	9	9	9
Community room	9	9	9	9
Day care	9	9	9	9
Other_____	9	9	9	9
Services:				
On-site management	9	9	9	9
Security guard(s)	9	9	9	9
Desk service	9	9	9	9
Security system	9	9	9	9
On-site maintenance staff	9	9	9	9
Other_____	9	9	9	9
Nearest public transportation				
Nearest shopping				
Notes:				

I certify that based upon information available to this office, the requested Contract Rent /_____ / is /_____/ is not reasonable in accordance with program requirements.
Name of PHA_____

Signature_____ Title_____ Date_____

EXHIBIT 9-4
SUGGESTED FORMAT – RENT REASONABLENESS CHECKLIST

Category of Comparison	Program Unit	Comparable #1	Comparable #2	Comparable #3
Address				
Census tract				
Neighborhood				
Number of bedrooms				
Published FMR				
Payment Standard				
Unit type				
Number of bathrooms				
Square feet				
Location: Accessibility to Services (List)				
Quality				
Amenities (List)				
Facilities (List)				
Date built				
Management and Maintenance Services (List)				
Rent to owner				
Utility allowance				
Gross rent				
Notes on Comparability				

I certify that based upon information available to this office, the requested Contract Rent /_____ / is /_____/ is not reasonable in accordance with program requirements.
Name of PHA_____
Signature_____ Title_____ Date_____

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CHAPTER 10
HOUSING QUALITY STANDARDS

10.1 CHAPTER OVERVIEW

The goal of the housing choice voucher program is to provide "decent, safe and sanitary" housing at an affordable cost to low-income families. To accomplish this, program regulations set forth basic housing quality standards (HQS) which all units must meet before assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy. HQS defines "standard housing" and establishes the minimum criteria necessary for the health and safety of program participants.

HQS regulations provide performance requirements and acceptability criteria to meet each performance requirement. HQS includes requirements for all housing types, including single and multi-family dwelling units, as well as specific requirements for special housing types such as manufactured homes, congregate housing, single room occupancy (SROs), shared housing and group residences (GRs). Requirements for Special Housing Types are discussed in Chapter 17.

The HUD Housing Inspection Manual for Section 8 Housing, available through the HUD user at 800-245-2691, and the HUD Inspection Form, form HUD-52580 (3/01) and Inspection Checklist, form HUD 52580-A (9/00), available through HUDCLIPS website: www.hudclips.org, provide guidance to PHAs in interpreting the standards, as well as HUD regulations.

10.2 HOUSING QUALITY STANDARDS GENERAL REQUIREMENTS

At least annually, it is the responsibility of the PHA to conduct inspections of units to determine compliance with HQS prior to the execution of the entire term of the assisted lease. Inspections may be completed by PHA staff or by contract personnel. HQS consists of the following thirteen (13) performance requirements:

- Sanitary facilities;
- Food preparation and refuse disposal;
- Space and security;
- Thermal environment;
- Illumination and electricity;
- Structure and materials;
- Interior air quality;
- Water supply;
- Lead-based paint;
- Access;
- Site and neighborhood;
- Sanitary condition; and
- Smoke Detectors.

Acceptability criteria for each performance requirement help PHAs determine if the unit meets mandatory minimum standards. For some standard, specific guidance is provided to PHAs, but PHA's must rely upon inspector judgement in the areas. In some instances, family preference should be considered in the determination of acceptability.

HUD may grant approval for a PHA to use acceptability criteria variations which apply standards contained in local housing codes or other codes adopted by the PHA or because of local climatic or geographic conditions.

Acceptability criteria variations may only be approved by HUD, if the variation meets or exceeds the performance requirement and does not unduly limit the amount and type of rental, housing available at or below the fair market rent . HUD will not approve variations if the change is likely to adversely affect the health or safety of participant families or severely restrict housing choice.

PHAs should strive to ensure consistency among staff in areas requiring judgment. Not all areas of HQS are exactly defined while acceptability criteria specifically state the minimum standards necessary to meet HQS, inspector judgment or tenant preference may also need to be considered in determining whether the unit meets minimum standards or desirable. Staff can receive the tools to make sound decisions through training, access to written policy and procedures, and consistent written and oral instruction.

Potential safety hazards that are not specifically addressed in the acceptability criteria, such as damaged kitchen cabinet hardware, may present a cutting hazard to small children is an example of an area that requires judgement. Less than optimal conditions, such as a water heater with a small capacity, is another example. A good practice is to assess potential hazards based on the family residing in the unit. Some potential hazards may only apply when small children are in occupancy. Some less than perfect conditions, such as a water heater that appears too small for optimal use by the tenant, should be discussed with the tenant, but should not lead to denial of program assistance if the family is willing to accept the existing condition.

In order to keep assisted units from having to meet higher standard than units in the unassisted market, PHAs should be cautious and thoughtful when requesting HUD approval of a standard higher standard than HQS. Though adopted into local law, local codes, are often not consistently enforced among all units, or are enforced only when complaints are made. Sometimes, certain aspects of a local code are not enforced at all. If the PHA adopts local code requirements, housing choice may be restricted in these instances.

The PHA administrative plan should include any HUD-approved variations to HQS acceptability criteria that will be used to judge the condition of the unit. This practice formalizes the PHA's inspection standards for inspection staff, as well as for owners and tenants. For example, if the PHA has received HUD approval to require that assisted units must have deadbolt locks on all doors leading from the unit to the exterior or public areas, the requirement should be included in the PHA administrative plan as an addition to HQS standards.

10.3 PERFORMANCE REQUIREMENTS AND ACCEPTABILITY STANDARDS

Each of the 13 HQS performance requirements and acceptability criteria is identified below. A discussion of how PHAs should interpret the requirements and tenant preference options follows. Refer to the inspection checklists contained in Form HUD-52580 and Form HUD-52580-A and the *Housing Inspection Manual for the Section 8 Existing Housing Program* for more detailed explanation and guidance.

Sanitary Facilities

Performance Requirement

- The dwelling unit must include sanitary facilities within the unit.
- The sanitary facilities must be in proper operating condition and adequate for personal cleanliness and disposal of human waste.
- The sanitary facilities must be usable in privacy.

Acceptability Criteria

- The bathroom must be located in a separate room and have a flush toilet in proper operating condition.
- The unit must have a fixed basin (lavatory) with a sink trap and hot and cold running water in proper operating condition.
- The unit must have a shower or tub with hot and cold running water in proper operating condition.
- The facilities must utilize an approved public or private disposal system, including a locally approved septic system.

The bathroom must be contained within the dwelling unit, afford privacy (usually meaning a door, although no lock is required), and be for the exclusive use of the occupants.

All public or private waste disposal systems servicing the unit or facilities must be either state or local agency approved.

The tub/shower, toilet, and basin/lavatory must have a proper sewer trap, drain, and vents to prevent the escape of sewer gases or severe leakage of water. Drains must not be clogged and the toilet must flush. Hot and cold water must be available at the tub, shower, and lavatory taps. The definition of hot water (temperature) required at the lavatory, tub, or shower should be determined from local health standards or applicable local code.

The PHA must determine if the bathroom facilities are free of hazards which may endanger the occupants such as damaged or broken fixtures and plumbing leaks. Conditions which do not affect the acceptability of the bathroom include tenant preference items (listed below) and minor faucets drips.

EXAMPLE:

What are bathroom hazards that may endanger occupants?

- Broken ceramic, metal, or glass fixtures that may pose a hazard. This includes towel racks, soap dishes, medicine cabinets, and mirrors as well
- A leaking hot water faucet may pose a scalding threat.

Only one bathroom is required to meet HQS. Additional bathrooms do not have to contain all plumbing fixtures (tub/shower, toilet or lavatory), but if present, they must not create any unsanitary conditions, be properly plumbed, and be free of sewer gases.

Other room standards that apply to bathroom facilities, such as illumination and electricity, are discussed under those performance requirements.

Tenant Preference

The tenant may determine acceptability of the cosmetic condition and quality of the sanitary facilities, including the size of the lavatory, tub, or shower, condition of faucets, minor leaks, scratches, or worn enamel on fixtures, and the location of the sanitary facilities within the dwelling unit.

Food Preparation and Refuse Disposal

Performance Requirement

- The dwelling unit must have suitable space and equipment to store, prepare, and serve food in a sanitary manner.

Acceptability Criteria

- The dwelling unit must have an oven and a stove or range. A microwave oven may be substituted for a tenant-supplied oven and stove or range. A microwave may be substituted for an owner-supplied oven and stove or range if the tenant agrees and microwave ovens are furnished to both subsidized and unsubsidized tenants in the same building or premises.
- The dwelling unit must have a refrigerator of appropriate size for the family.

- All required equipment must be in proper operating condition. According to the lease, equipment may be supplied by either the owner or the family.

- The dwelling unit must have a kitchen sink in proper operating condition, with a sink trap and hot and cold running water. The sink must drain into an approved public or private system.

- The dwelling unit must have space for storage, preparation, and serving of food.

- Facilities and services for the sanitary disposal of food waste and refuse, including temporary storage facilities where necessary, are required.

Hot plates are not acceptable substitutes for stoves or ranges. The oven must heat and all burners on the stove or range must work. All stove or range knobs must be present.
The stove or range must be free of hazardous gas hook-ups, gas leaks, or electrical hazards.

The refrigerator must be of adequate size for the family and capable of maintaining a temperature low enough to keep food from spoiling. The PHA may reject the size of the refrigerator only if it clearly cannot serve the needs of the family. For example, a counter-top or compact type would not meet the needs of a family of four. The freezer space must be present and working, and the equipment must present an electrical hazard.

EXAMPLE:

What temperature must a refrigerator maintain to keep food from spoiling?

- Above 32° F, but generally below 40° F.

- Consider how often the refrigerator will be opened. Proper temperatures are difficult to maintain if the refrigerator is frequently opened during warm weather, door seals are removed or broken, or the door sits open.

The sink must have hot and cold running water from the faucets and a proper working sink drain with gas trap. It must also be hooked to an approved water and sewer system. The definition of hot water should be determined by the local health department or applicable local code.

Space for storage, preparation, and serving of food must be present. Built-in space, equipment, table(s), or portable storage facilities are acceptable.

Waste and refuse storage facilities are determined by local practice and may include trash cans or dumpster facilities.

Other room standards apply to the food preparation area and are discussed under those specific requirements below.

Tenant Preference

The family selects a unit with the size and type of equipment it finds acceptable and may choose to accept a microwave oven in place of a conventional oven, stove, or range if the oven/stove/range are tenant supplied or if microwaves are furnished in both subsidized and unsubsidized units in the building or premises. The amount and type of storage space, the cosmetic conditions of all equipment, and the size and location of the kitchen are all determined by the family.

Space and Security

Performance Requirement

- The dwelling unit must provide adequate space and security for the family.

Acceptability Criteria

- At a minimum, the dwelling unit must have a living room, a kitchen and a bathroom.
- The dwelling unit must have a least one bedroom or living/sleeping room for every two persons. Other than very young children, children of opposite sex, may not be required to occupy the same bedroom or living/sleeping room.
- Dwelling unit windows that are accessible from the outside must be lockable.
- Exterior doors to the unit must be lockable.

A living room may be used as sleeping (bedroom) space, but no more than two persons may occupy the space.

Unit windows located on the first floor, at the basement level, on a fire escape, porch, or other outside space that can be reached from the ground and that are designed to be opened must have a locking device. (Windows with sills less than six feet off the ground are considered accessible.) Traditional window locks, those provided by storm/screen combination windows, window pins, and nails are acceptable. Windows leading to a fire escape or required to meet ventilation requirements may not be permanently nailed shut.

Doors leading to the outside and common hallways, fire escapes, and porches or otherwise accessible from the ground must have locks. No specific type of lock is required.

Window and door surfaces (including the door frame) must be in sufficient condition to support the installation and proper operation of window and door locks.

Tenant Preference

The family may determine the adequacy of room sizes and room locations. The family is also responsible for deciding the acceptability of the type of door and window locks.

Thermal Environment

Performance Requirement

- The dwelling unit must be able to provide a thermal environment that is healthy for the human body.

Acceptability Criteria

- There must be a safe system for heating the dwelling unit, such as electric baseboard, radiator, or forced air systems. In order to ensure a healthy living environment appropriate for the climate the system must be able to provide adequate heat either directly or indirectly to each room.

- If present, the air conditioning system or evaporative cooler, must safely provide adequate cooling to each room.

- The heating and/or air conditioning system must be in proper operating condition.

- The dwelling unit must not contain unvented room heaters that burn gas, oil, or kerosene. Electric heaters are acceptable.

The PHA must define "a healthy living environment" for the local climate. Local or state codes will help the PHA determine when and how much heat is adequate. For example, a PHA may define a heating system capable of maintaining an interior temperature of 65º between October 1 and May 1 as adequate.

Adequate heat is required in all rooms used for living; the heat source does not have to be located in each room as long as the heat can pass to the appropriate space and meet the definition of adequate. Portable electric room heaters or kitchen stoves with built-in heating units are not acceptable as a primary source of heat for units located in climatic areas where permanent heat systems are required.

Improper operating conditions, including all conditions that may be unsafe, such as broken or damaged source vents, flues, exhausts, gas or oil lines that create a potential fire hazard or threats to health and safety are not permitted. Heating unit safety devices must be present, and the heating equipment must have proper clearance from combustible materials and location of oil storage tanks. There must be proper gas and oil connections. Local plumbing, fire, or mechanical codes are instructive in providing details about acceptable materials for furnace and water heater hookups and required clearances appropriate to the jurisdiction where units are

located. Seek assistance from local code enforcement offices to determine health and safety standards for equipment hook-up and clearance requirements.

Heating system inspections are often required by local or state authorities especially for large multi-family buildings. If the heating system has passed inspection from the inspecting authority within the past two years, the PHA may accept this as proof of heating equipment safety.

Working cooling equipment refers to a central ventilation system, evaporative cooling system, room or central air conditioning. These systems are not required by HQS, but if present, must be operating safely so as not to create a potential fire hazard or other threat to health and safety.

Tenant Preference

The PHA has no control over energy conservation measures, such as dwelling insulation or installation of storm windows and doors. The family must assess whether a dwelling without these items is acceptable; the family must take into account the cost of utilities billed to the family and personal feelings about adequate heat. Dwellings that are poorly insulated or lack storm windows are generally drafty and more difficult to heat and cool.

Illumination and Electricity

- Each room must have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of occupants.
- The dwelling unit must have sufficient electrical sources so occupants can use essential electrical appliances.
- Electrical fixtures and wiring must not pose a fire hazard.

Acceptability Criteria

- There must be at least one window in both the living room and each sleeping room.
- The kitchen area and the bathroom must have a permanent ceiling or wall-mounted fixture in proper operating condition.
- The kitchen must have at least one electrical outlet in proper operating condition.
- The living room and each sleeping space must have at least two electrical outlets in proper operating condition. Permanent overhead or wall-mounted light fixtures may count as one of the required electrical outlets.

The PHA must be satisfied that the electrical system is free of hazardous conditions, including: exposed, uninsulated, or frayed wires, improper connections, improper insulation or grounding of

any component of the system, overloading of capacity, or wires lying in or located near standing water or other unsafe places.

Outlets must be properly installed in the baseboard, wall, or floor. Hanging light fixtures or outlets from electric wiring, missing cover plates on switches and outlets, badly cracked outlets or cover plates, exposed fuse box connections and, overloaded circuits are unacceptable.

Tenant Preference

The family may determine whether the location and the number of outlets and fixtures (over and above those required for acceptability standards) are acceptable or if the amount of electrical service is adequate for the use of appliances, computers, or stereo equipment.

Structure and Materials

Performance Requirement

- The dwelling unit must be structurally sound.
- The structure must not present any threat to the health and safety of the occupants and must protect the occupants from the environment.

Acceptability Criteria

- Ceilings, walls, and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing parts, or other serious damage.
- The roof must be structurally sound and weather-proof.
- The foundation and exterior wall structure and surface must not have any serious defects such as serious leaning, buckling, sagging, large holes, or defects that may result in air infiltration or vermin infestation.
- The condition and equipment of interior and exterior stairs, halls, porches, and walkways must not present the danger of tripping and falling.
- Elevators must be working safely.

The PHA must examine each of the elements listed in the acceptability criteria to determine that each is structurally sound, will not collapse, and does not present a danger to residents through falling or missing parts, or tripping hazards. The PHA must determine that the unit is free from water, excessive air, and vermin infiltration.

Handrails are required when four or more steps (risers) are present, and protective railings are required when porches, balconies, and stoops are thirty inches off the ground.

The elevator servicing the unit must be working. A current city or state inspection certificate suffices to determine working condition of the elevator.

Manufactured homes must have proper tie-down devices capable of surviving wind loads common to the area.

Tenant Preference

Families may determine whether minor defects, such as lack of paint, or worn flooring or carpeting will affect the livability of the unit.

Interior Air Quality

Performance Requirement

- The dwelling unit must be free of air pollutant levels that threaten the occupants' health.

Acceptability Criteria

- The dwelling unit must be free from dangerous air pollution levels from carbon monoxide, sewer gas, fuel gas, dust, and other harmful pollutants.
- There must be adequate air circulation in the dwelling unit.
- Bathroom areas must have one openable window or other adequate ventilation.
- Any sleeping room must have at least one window. If the window was designed to be opened, it must be in proper working order.

The PHA must be satisfied that air pollutants such as gas leaks, industrial outputs, and heavy traffic would not present a health hazard.

Air circulation should be checked to determine adequate ventilation. Air conditioning (A/C) provides adequate circulation as do ceiling and vent fans.

The windows must adequately protect the unit's interior from the weather. Windows designed to open must not be painted or nailed shut. The ventilating bathroom fan in the bathroom must operate as intended.

Tenant Preference

Tenants may determine whether window and door screens, filters, fans, or other devices for proper ventilation are adequate to meet personal needs.

Water Supply

Performance Requirement

- The water supply must be free of contamination.

Acceptability Criteria

- The dwelling unit must be served by an approved public or private water supply that is sanitary and free from contamination.

The PHA should be satisfied that the water supply is approved by the State or local jurisdiction.

Clean water must be distributed to all unit fixtures and waste water must leave the unit to an approved area without presence of sewer gas and backups.

Plumbing fixtures and pipes must be free of leaks and threats to health and safety.

Water-heating equipment must be installed safely and must not any present safety hazards to families. All water heaters must be free of leaks, have temperature/pressure relief valves, and a discharge line. Unless safety dividers or shields are installed water heaters must not be located in bedrooms or living areas where safety hazards may exist. Fuel burning equipment must have proper clearance from combustible materials and be properly vented.

Tenant Preference

The family may decide if the water heater has a large enough capacity for personal family use.

Lead-Based Paint

- The Lead-Based Paint Poisoning Prevention Act as amended (42 U.S.C. 4821 - 4846) and the Residential Lead-Based Paint Hazard Reduction Act of 1992 and implementing regulations 24 CFR Part 35 Subparts A, B, M, and R apply to the housing choice voucher program.

Acceptability Criteria

- The requirements apply to dwelling units built prior to 1978 that are occupied or can be occupied by families with children under six years of age, excluding zero bedroom dwellings.

- During initial and annual inspections of pre-1978 units that are occupied or will be occupied by families with children under 6 years of age, the inspector must conduct a visual assessment for deteriorated paint surfaces and the owner must stabilize deteriorated surfaces. Applicable areas include painted surfaces within the dwelling unit, exterior painted surfaces associated with the dwelling unit, and common areas of the building through which residents must pass to gain access to the unit and areas frequented by resident children under six years of age, including play areas and child care facilities.

- For units occupied by environmental intervention blood lead level (lead poisoned) children under six years of age, a risk assessment must be conducted (paid for by the PHA), and the owner must complete hazard reduction activities if lead hazards are identified during the risk assessment.

Section 10.4 of this Chapter discusses all PHA responsibilities.

Tenant Preference

Families with children under 6 years of age have no decision-making authority related to the presence of lead-based paint.

Access

- Use and maintenance of the unit must be possible without unauthorized use of other private properties.

- The building must provide an alternate means of exit in case of fire.

Acceptability Criteria

- The unit must have private access.

- In case of fire, the building must contain an alternate means of exit such as fire stairs, or windows, including use of a ladder for windows above the second floor.

The PHA must determine that the unit has private access without unauthorized passage through another dwelling unit or private property.

The emergency (alternate) exit from the building (not the unit) may consist of fire stairs, a second door, fire ladders, or exit through windows. The emergency exit must not be blocked. It must be appropriate for the family and considered adequate by local officials. Guidance from the local fire agency is advisable.

Tenant Preference

The tenant should assist the PHA in determining if the type of emergency exit is acceptable.

Site and Neighborhood

Performance Requirement

- The site and neighborhood must be reasonably free from disturbing noises and reverberations or other dangers to the health, safety, and general welfare of the occupants.

Acceptability Criteria

- The site and neighborhood may not be subject to serious adverse natural or manmade environmental conditions, such as dangerous walks or steps, instability, flooding, poor drainage, septic tank back-ups or sewer hazards, mudslides, abnormal air pollution, smoke or dust, excessive noise, vibration, or vehicular traffic, excessive accumulations of trash, vermin, or rodent infestation, or fire hazards.

The PHA determines whether any of the above conditions seriously and continually affect the health or safety of the residents. PHAs should be careful not to restrict housing choice in deciding acceptability. Failing a unit because the neighborhood is considered "bad" is not appropriate. Take into account whether private unassisted residents are living in the same neighborhood.

Tenant Preference

Taking into consideration the type of neighborhood, presence of drug activity, commercial enterprises, and convenience to shopping and other facilities, the family selects a unit.

Sanitary Condition

Performance Requirement

- The dwelling unit and its equipment must be in sanitary condition.

Acceptability Criteria

- The dwelling unit and its equipment must be free of vermin and rodent infestation.

The PHA must ensure that the unit is free of rodents and heavy accumulations of trash, garbage, or other debris that may harbor vermin. Infestation by mice, roaches, or other vermin particular to the climate must also be considered. The unit must have adequate barriers to prevent infestation.

EXAMPLE:

What is infestation of rodents or vermin?

- By definition infestation means more than one bug or mouse. It is easily identified by observing mouse and/or rodent droppings or gnaw marks. If no visible evidence exists, there is probably no infestation. Based on the type of pest, PHAs must decide for themselves what the limits are for determining infestation and be consistent. Is one rat or roach too much?

Tenant Preference

Provided the minimum standards required by the acceptability criteria have been met, the tenant must determine whether the unit is in an adequate sanitary condition. Occasional mice and roaches may be acceptable to the tenant.

Smoke Detectors

- On each level of the dwelling unit including basements, but excluding spaces and unfinished attics at least one battery-operated or hard-wired smoke detector in proper operating condition must be present.

- Smoke detectors must be installed in accordance with and meet the requirements of the National Fire Protection Association Standards (NFPA) 74 or its successor standards.

- If a hearing-impaired person is occupying the dwelling unit, the smoke detectors must have an alarm system designed for hearing-impaired persons as specified in NFPA 74.

Acceptability Criteria

The PHA must insure that the location of smoke detectors conforms with local and/or State Fire Marshall's requirements.

The PHA must determine that smoke detectors are located and installed in accordance with NFPA Standards. All smoke detectors must be in operating condition.

Local codes, such as housing or fire codes, often address responsibilities between owners and tenants for installation and maintenance of smoke detector batteries. At initial, inspection smoke detectors must have good batteries and be operable. PHAs may follow local codes to determine if missing or dead smoke detector batteries constitute a tenant or owner-caused failure in occupied units.

Consultation with the local fire officials is recommended regarding acceptable types and location of smoke detectors.

Tenant Preference

The family is not permitted to exercise any tenant preference regarding smoke detector requirements.

10.4 LEAD-BASED PAINT REQUIREMENTS AND RESPONSIBILITIES

Regulation Background

Lead-based paint requirements were originally written to implement Section 302 of the Lead-based Paint Poisoning and Prevention Act. In the late 1970s, Code of Federal Regulations, Title 24, Part 35 was promulgated, setting forth the general procedures for inspection and treatment of defective paint surfaces in HUD assisted housing.

Under Part 35, Assistant Secretaries were given authority to develop regulations pertaining to their specific areas of responsibility, and varying program regulations were issued. The regulations have been amended several times. A major change that occurred in 1995 amended housing quality standards that applied to tenant-based programs.

New lead-based paint regulations effective September 15, 2000 have been implemented to incorporate Title X of the Housing and Community Development Act of 1992. These regulations consolidate all lead-based paint requirements under one section of the Code of Federal Regulations (24 CFR Part 35), stress identification of lead-paint hazards, notification to occupants of the existence of these hazards, and control of lead-based paint hazards to reduce lead poisoning among young children.

Housing choice voucher program units are subject to the following subparts of 24 CFR Part 35:

- Subpart A, Disclosure;
- Subpart B, General Lead-Based Paint Requirements and Definitions for All Programs;
- Subpart M, Tenant-Based Rental Assistance; and
- Subpart R, Methods and Standards for Performing Lead Hazard Evaluation and Reduction Activities.

The Section 8 moderate rehabilitation program and the project-based housing choice voucher or certificate program units are subject to requirements under 24 CFR Subparts A, B, H, and R. Those requirements are not discussed in this Guidebook.

Exempt Units

Exempt housing includes:

- Units built after December 31, 1977;
- Zero (0) bedroom and SRO units;
- Housing built for the elderly or persons with disabilities, unless a child of under age six (6) resides or is expected to reside in such housing;
- Property for which a paint inspection was completed in accordance with the new regulations and certified to have no lead-based paint;
- Property in which all lead-based paint was identified, was removed, and received clearance in accordance with the new regulations.

For dwellings built before January 1, 1978, *and* occupied or to be occupied by assisted families with one or more children under age six, lead-based paint requirements apply to:

- The unit interior and exterior paint surfaces associated with the assisted unit; and
- The common areas servicing the unit, including those areas through which residents must pass to gain access to the unit, and other areas frequented by resident children less than six such as play areas, and child care facilities. Common areas also include garages and fences on the assisted property.

Basic Lead-Based Paint Requirements

The PHA is the responsible party for the following activities:

- Visual assessment for deteriorated paint (i.e., peeling, chipping, flaking) surfaces at initial and annual inspections;
- Assuring that clearance examination is conducted when required;
- Carrying out special requirements for children under age six who have environmental intervention blood lead levels as verified by a medical health care provider;
- Collecting data from the local health department on program participants under age six who have identified environmental intervention blood lead levels; and
- Record keeping.

Unit owners have responsibilities to:

- Disclose known lead-based paint hazards to all potential residents prior to execution of a lease;
- The owner must also provide all prospective families with a copy of *Protect Your Family From Lead in Your Home* or other EPA approved document;
- When necessary, perform paint stabilization to correct deteriorated paint;
- Each time such an activity is performed, notify tenants about the conduct of lead hazard reduction activities and clearance (if required);
- Conduct lead hazard reduction activities when required by the PHA;
- Perform all work in accordance with HUD prescribed safe work practices and conduct clearance activities when required; and
- Perform ongoing maintenance. As part of ongoing maintenance, the owner must provide written notice to each assisted family asking occupants to report deteriorated paint. The notice must include the name, address, and phone number of the person responsible for accepting the occupant's complaint.

10.5 NOTIFICATION AND DISCLOSURE OF LEAD-BASED PAINT HAZARDS PRIOR TO OCCUPANCY

Before the execution of the lease the owner or owner's agent is required to disclose any knowledge of lead-based paint or lead-based paint hazards in housing built prior to 1978, to all prospective residents (See Exhibit 10-1, *Sample Disclosure Notice*.) The PHA must keep a copy of the disclosure notice executed by the owner and tenant in the tenant file. The owner should not send the PHA the original disclosure notice executed by the owner and tenant.

Visual Assessment for Deteriorated Paint

During the conduct of initial and annual inspections of pre-1978 units that are occupied or will be occupied by families with children under 6 years of age, the PHA must conduct a visual inspection for deteriorated paint surfaces at these locations:

- All unit interior and exterior painted surfaces associated with the assisted unit; and
- Common areas such as common hallways, access and egress areas, playgrounds, child-care facilities, or other areas including fences and garages frequented by children under age six.

Deteriorated paint surfaces are defined as interior or exterior paint or other coating that is peeling, chipping, flaking, cracking, is otherwise damaged or has separated from the substrate of the surface or fixture.

The inspection may be conducted by an HQS inspector or other party designated by the PHA, but all inspectors must be trained in visual assessment in accordance with procedures established by HUD. A visual assessment training course is available on the Office of Healthy Homes and Lead Hazard Control's website.

Stabilization of Deteriorated Paint Surfaces

When the visual inspector identifies deteriorated paint surfaces, the PHA must notify and require the owner to perform stabilization of the surfaces within thirty (30) days of notification in occupied units and before commencement of an assisted tenancy. When weather conditions prevent stabilization of deteriorated paint surfaces on exterior surfaces within 30-day period, stabilization may be delayed for a reasonable time.

Owner requirements for compliance with a PHA's paint stabilization notice differ, depending upon the amount of deteriorated paint surface to be corrected. The use of lead-safe work practices during paint stabilization activities are characterized as above or below de minimis levels. De minimis deteriorated paint surfaces are as follows:

- 20 square feet on exterior surfaces;
- 2 square feet on an interior surface in a single room or interior space; or
- 10 percent of individual small components (e.g., window skills) on the interior or exterior.

Owners must perform paint stabilization on all deteriorated paint surfaces *regardless of the size of the deteriorated surface*. Paint stabilization is defined as:

- Repair of any physical defect in the substrate of the painted surface or building component. Examples of defective substrate conditions include dry-rot, rust, moisture-related defects, crumbling plaster, missing siding, or other components not securely fastened;
- Removal of all loose paint and other loose material from the surface being treated; and
- Application of a new protective coat of paint to the stabilized surface.

If the amount of deteriorated paint is <u>below the de minimis level</u>, the owner must perform paint stabilization. Owners are not required to perform lead-safe work practices and clearance.

Correction of deteriorated paint above de minimis levels requires owners to perform additional activities to gain compliance with HUD lead-based paint requirements, including:

- Conducting the stabilization activities with trained staff;
- Employing acceptable methods for preparing the surface to be treated, including wet scraping, wet sanding, and power sanding performed in conjunction with a HEPA filtered local exhaust attachment operated according to manufacturer's instruction;
- Dry sanding and dry scraping is not permitted except within one (1) square foot of electrical outlets.
- Protecting the occupants and their belongings from contamination;
- Notifying the occupants within fifteen (15) calendar days of the stabilization activity and providing the results of the clearance examination (See Exhibit 10-3, *Summary Notice of Completion of Lead-Based Paint Hazard Reduction Activity*); and
- HUD has provided funds to PHAs to cover the cost of the first clearance examination. The owner covers funds for the cost of subsequent tests.
- The PHA is responsible for clearance activities. Clearance examinations must be performed by persons who have EPA or state-approved training and are licensed or certified to perform clearance examinations.

In no instance may an owner employ any paint stabilization methods that are strictly prohibited by federal, state, or local law such as:

- Open flame burning and torching;
- Machine-sanding or grinding without a high-efficiency particulate air (HEPA) local exhaust control;
- Heat guns operating above 1,100 degrees Fahrenheit;
- Abrasive blasting or sandblasting without HEPA exhaust control;
- Dry sanding and scraping except limited conditions stated above for limited areas; and
- Paint stripping in poorly ventilated space using a volatile stripper or a hazardous chemical as defined by Occupational Safety and Health Administration (OSHA).

Failure to comply with paint stabilization requirements, regardless of the amount of deteriorated surface, results in disapproval of the tenancy, abatement of payment to the owner, and/or termination of the HAP contract. The HQS violation for paint stabilization is considered closed when the PHA receives an executed copy of the Lead Based Paint Owner's Certification. (See Exhibit 10-2, *Sample Certification.*)

Requirements for Children with Environmental Intervention Blood Lead Level

HUD has defined environmental intervention blood lead level as a confirmed concentration of lead in whole blood equal or greater than 20 ug/dL (micrograms of lead per deciliter) for a single test or 15-19 ug/dL in two tests taken at least three (3) months apart in children under age six.

Notification

A medical health care provider, public health department, the family, owner, or outside source may notify the PHA of an environmental intervention blood lead level child living in a program unit.

When information regarding an environmental intervention blood lead level child under age six is received from the family, owner, or other sources not associated with the medical health community, the PHA must immediately verify the information with a public health department or other medical health care provider.

If either the public health department or a private medical health agency provides verification that the child has an environmental intervention blood lead level, the PHA must proceed to complete a risk assessment of the unit, common areas and exterior surfaces. This requirement does not apply if the public health department has already conducted an evaluation between the date the child's blood was last sampled and the receipt of notification of the child's condition.

When a PHA receives a report of an environmental intervention blood lead level child from any source other than the public health department, the PHA must notify the health department within five (5) working days.

Risk Assessment

Within 15 days of notification by a public health department or medical health care provider, the PHA must complete a risk assessment of the dwelling unit, including common areas servicing the dwelling unit, if the child lived in the unit at the time the child's blood was sampled. In most areas of the country, the local health department will complete the risk assessment free of charge to the PHA. In areas where this is not possible, the PHA must hire and pay for a certified risk assessor and, upon completion of the risk assessment, the PHA must provide the report to the owner.

Persons trained and certified by an EPA or state-approved agency must complete risk assessments.

Risk assessments involve on-site investigations to determine the existence, nature, severity, and location of lead-based paint hazards. The investigation includes dust and soil sampling, and visual evaluation, and may include paint inspections (tests for lead in paint). The assessor issues a report explaining the results of the investigation, as well as options and requirements for reducing lead-based paint hazards.

The owner must notify the building residents of the results of the risk assessment within 15 days of receipt from the PHA. (See Exhibit 10-4, *Summary Notice of Lead-Based Paint Risk Assessment*.)

Hazard Reduction

The owner must complete reduction of identified lead-based paint hazards as identified in the risk assessment within 30 days (or date specified by PHA if an extension is granted for exterior surfaces).

Hazard reduction activities may include paint stabilization, abatement, interim controls, or dust and soil contamination control. The appropriate method of correction should be identified in the risk assessment.

Hazard reduction is considered complete when a clearance examination has been completed and the report indicates that all identified hazards have been treated and clearance has been achieved, or when the public health department certifies that the hazard reduction is complete.

The owner must notify all building residents of any hazard reduction activities within 15 days of completion of activities. (See Exhibit 10-3, *Summary Notice of Completion of Lead-Based Paint Hazard Reduction Activities*.)

Like paint stabilization compliance, PHA receipt of the owner's certification signals compliance with lead hazard reduction activities. (See Exhibit 10-2, *Owner's Certification.*)

Failure to complete hazard reduction activities (including clearance) within 30 days (or later if PHA grants an extension for exterior surfaces) of notification constitutes a violation of HQS, and appropriate action against the owner must be taken if a program family occupies the unit. If the unit is vacant when the PHA notifies the owner, the unit may not be reoccupied by another assisted family, regardless of the ages of children in the family, until compliance with the lead-based paint requirement.

Ongoing Maintenance

In addition to the visual assessment completed by the HQS inspector, the owner is required to conduct a visual assessment for deteriorated paint and failure of any hazard reduction measures at unit turnover and every 12 months of continued occupancy.

The owner is required to make corrections of deteriorated paint and any failed lead hazard reduction measures. Correction methods are the same as those for paint stabilization activities discussed earlier.

The owner must provide written notice to each assisted family asking occupants to report deteriorated paint. The notice must include the name, address, and phone number of the person responsible for accepting the occupant's complaint.

The owner certifies that this requirement is being met by presenting the owner's certification to the PHA before the execution of the lease and at annual inspection. (See Exhibit 10-2, *Owner's Certification.*)

PHA Data Collection and Record Keeping

Quarterly, the PHA must attempt to obtain from the public health department having jurisdiction in the same area as the PHA, the names and addresses of children under age six with an identified environmental intervention blood lead level.

The PHA must match information received from the health department with information about program families. If a match occurs, the PHA must follow all procedures for notifying owners and conducting risk assessments as stated above.

Quarterly, the PHA must report a list of addresses of units occupied by children under age six, receiving assistance to the public health department, unless the health department indicates that such a report is not necessary.

Staff should be thoroughly trained about the requirements for lead-based paint so inspection activities are properly done and questions from owners about processes and requirements can be adequately addressed.

The PHA is responsible to inform owners of lead-based paint regulations especially those related to prohibited and safe work practices, tenant protection during lead-based paint activities, and notification requirements. Many owners do not know about the new regulations and requirements that were effective September 15, 2000. The PHA may wish to include information about these requirements in HQS notices and other mailings to owners. If the PHA routinely conducts owner workshops or owner meetings, lead-based paint is a good topic to place on the agenda.

Risk assessors and public health departments conducting risk assessments involving environmental intervention blood lead level children will issue a report on any needed corrections and appropriate methods to correct lead hazards. The PHA must notify the owner of the deadline for completing the corrections.

To carry out its responsibilities for matching PHA and public health records, PHA staff may need to develop a closer working relationship with staff at the public health department.

PHAs should also develop a tracking report to track known environmental intervention blood lead level children until the child reaches age six. This will assure that all PHA required activities are addressed in a timely manner and that inspections conducted on behalf of the family will include the inspection for deteriorated paint. If the PHA is using a computerized inspection system with hand-held units, information about the child's condition should be entered into the system.

Units that have been certified to be clear of lead paint hazards may be placed on a list and affirmatively marketed to families with children under six.

10.6 HQS INSPECTION PROCESSES AND PROCEDURES

Overview

The purpose of HQS inspections is to ensure that housing is decent, safe and sanitary. This section discusses types of HQS program inspections PHAs are required to conduct, methods for conducting inspections, inspection scheduling, and HQS enforcement. Sample letters and notices are provided to help PHAs carry out inspections. (See Exhibit 10-4a, *Annual Inspection Appointment Letter*, and Exhibit 10-4b, *Second Notice of Inspection Appointment*.)

PHAs are required to conduct three types of inspections: initial, annual, and special inspections, including quality control inspections. Inspections result in pass, fail, or inconclusive reports. Pass inspections require no further action by the PHA. Fail or inconclusive inspections require follow-up reinspections or PHA verification to confirm the correction of the HQS infractions.

Depending upon the nature of the item responsibility for correction of fail or inconclusive items may be the responsibility of the owner or tenant. Failure to comply with correction notices results in owner or tenant sanctions.

Scheduling Inspections

Program Requirements

The PHA must schedule initial inspections in accordance with program requirements. Annual inspections, quality control inspections, and all resulting reinspections must be scheduled to comply with SEMAP requirements as discussed in Section 10.7 of this Chapter. Other special inspections, such as complaint inspections, should be scheduled as quickly as possible after receipt of request.

Efficiently scheduling inspections that comply with SEMAP requirements can be challenging and complex, especially for PHAs with large programs. PHAs are allowed to determine their own procedures for scheduling inspections and may choose to complete the task manually or use of computer programs.

PHAs should plan efficient and cost effective inspection procedures that produce the best results, as well as good customer service for both families and owners. The size of the PHA's program plays a big part in determining scheduling details.

Annual inspections must be scheduled so that all units are inspected every 12 months. Annual inspections are likely to be the largest part of the PHA's inspection workload, followed by reinspections of units that fail HQS. Since many PHAs coordinate the scheduling of annual inspections with annual reexaminations, the number of inspections is not constant from month to

month, with more inspections required in the heavy leasing months (e.g., the summer months). This may also be the period with the greatest number of initial inspections.

The PHA should consider the following factors to determine how many total inspections will need to be scheduled and completed each year:

- Number of units under contract;
- Anticipated number of requests for expected tenancy approvals (new families and transfers) in the coming year;
- Unit fail rates for initial and annual inspections;
- Reinspection fail rates for annual inspections;
- Number of complaint inspections anticipated annually; and
- Number of quality control inspections required.

After estimating the number of required unit inspections, the PHA should determine the number of staff needed to complete required inspections. The PHA should take into account the following factors:

- Number of days employees actually conduct inspections each year (exclude time in office, training days, vacation, sick days, and approximate number of days lost to weather conditions for the area); and
- Number of inspections each employee completes per day.

This analysis will indicate the number of inspections each inspector must have scheduled and completed each day. The PHA should determine the amount of time required for an inspector to complete thorough inspections, taking into account the type of unit and the number of bedrooms. The PHA should also consider travel time.

Automated Inspection Systems

In order to meet all HQS requirements, inspections must be conducted and recorded using form HUD 52580-A or 52580. If the PHA has received HUD approval to include additional requirements, these changes must be reflected on the inspection instrument.

PHAs may conduct inspections using paper forms, checklists, or computer devices. Several automated HQS products are available on the private market. The PHA's program size will dictate the most cost effective and efficient method.

Computer inspection hardware comes in many forms; most are Windows-based. The computer, often referred to as a "hand-held," is available in various sizes and weights, and is available with printing devices that can be used in the field. Data entry can also take many forms, including use of a stylus to enter comments on the computer screen, typing comments into the system, or using programmed codes to describe fail items.

Most hand-held systems can be connected to the office computer system. Inspection results are then uploaded to the office computer to produce required letters to owners and/or tenants. Some systems will allow for the inspections data to be "tied" to other PHA computer mainframe applications to fill in tenant data fields for date of inspection, record inspection results to track and monitor SEMAP requirements, and perform other tasks.

PHAs considering the use of hand-held systems should consult several companies to determine the best and most cost effective system. Careful planning and programming of the hand-held system should occur.

Initial Inspection Process and Procedure

The PHA's established tenancy approval process triggers an initial inspection. The PHA may deny a request to inspect a unit of behalf of a tenant as discussed in Chapter 6. (See Exhibit 10-5, *Sample Notice Denying Request for Inspection*.)

Program Requirements

- The PHA is required to conduct an initial inspection for each unit as part of the tenancy approval process discussed in Chapter 6. The family and owner must be notified of the inspection results.

- The unit must pass the HQS inspection before the execution of the assisted lease and housing assistance payments (HAP) contract and the initiation of payments.

- PHAs with up to 1,250 budgeted units must conduct the inspection within 15 days after the family or owner submits a request for tenancy approval.

- PHAs with more that 1,250 budgeted units must conduct the inspection within a reasonable time after the family submits a request for tenancy approval. If possible, the inspection should be completed within 15 days.

- The 15-day period is suspended when the unit is not unavailable for inspection. For example, if a family and owner submit a request for tenancy approval on the 15th of month but the owner indicates that unit will not be available until 1st of next month, the 15-day clock starts on the 1st of the next month.

A thorough unit inspection is required for the PHA to determine compliance with HQS and to determine the reasonableness of the rent. (Rent Reasonableness is discussed in Chapter 9.)

Regardless of how inspection results are recorded the PHA must produce and retain a facsimile that includes PHA-adopted standards. Form HUD-52580, *Inspection Checklist*.

The family and the owner must relieve inspection results. (See Exhibit 10-6, *Sample Notice, Initial Unit Inspection*.) The owner must receive detailed information for all failed and inconclusive inspection items so that he or she is fully aware of the work necessary to pass the HQS inspection.

If the unit does not comply with HQS requirements within the PHA specified time frame, the PHA may cancel the tenancy approval and instruct the family to search for another unit.

The PHA is responsible for establishing a tenancy approval procedure. The procedure should clearly describe the process for the tenant and owner to request an inspection, keeping in mind:

- The requirement to conduct inspections within 15 days or as quickly as possible.
- The PHA may set a deadline for completion of repairs which, if not met, will result in cancellation of the tenancy approval.
- If the time to complete repairs is expected to be lengthy, the tenant may wish to find another unit, or the PHA may decide that the unit is unacceptable for leasing because the owner is non-responsive or has failed to comply with HQS within a reasonable period of time.

The PHA should request that the owner disclose the date the unit will be ready for inspection, as well as all phone numbers where the owner can be reached.

The PHA may either ask the owner to schedule unit inspection or may accept this responsibility itself. In either instance, the PHA should determine its policy and procedure for cases where owner requests are not timely, one or more appointments are cancelled, access is denied or the unit does not pass inspection after a reasonable time.

PHAs with a large number of tenancy approval requests may monitor their processing through a manual or computerized tracking system, which records actions from the time of the request through the execution of the HAP contract. This lets the PHA know where each unit stands in the scheduling and approval process, and provides management data on time frames from request for tenancy approval to HAP execution.

Prior to inspection, PHAs can use several methods to inform owners about HQS requirements: owner briefing materials, telephone discussion, inclusion of HQS requirements in tenancy approval materials, monthly newsletters to owners in the program, owner workshops, and public meetings with current and prospective owners. It is advantageous to the PHA and the prospective tenant if the unit passes inspection on the first attempt. The PHA should have a system to track units requiring reinspection to determine HQS compliance for all fail and inconclusive items.

Annual Inspection Process and Procedure

The annual inspection process includes scheduling the unit for inspection, notifying owners and tenants of the inspection date and time, conducting the inspection, enforcing HQS requirements, and when necessary, taking action to abate payments and terminate HAP contracts and program assistance.

- The unit must be in compliance with HQS requirements throughout the assisted tenancy.

- Each unit must be inspected annually during assisted tenancy to determine if the unit meets HQS. The inspection must be conducted within twelve months of the previous inspection to meet SEMAP requirements discussed in Section 10.7.

- The PHA must notify owners and tenants of HQS deficiencies in writing, and indicate a time period in which to make HQS corrections of that the PHA complies with SEMAP requirements discussed in Section 10.7.

- The PHA must abate housing assistance payments to the owner for failure to correct an HQS violation under the following circumstances:

  - An emergency (life-threatening) violation is not corrected within 24 hours of inspection and the PHA did not extend the time for compliance;

  - A routine violation is not corrected within 30 days of the inspection and the PHA did not extend the time for compliance.

- Abatements must begin on the first of the month following the failure to comply.

- The PHA must terminate the HAP contract if repairs are not made. The PHA must decide how long abatement will continue prior to contract termination. The PHA should not terminate the contract until the family finds another unit provided the family does so in a reasonable time.

- The PHA must terminate program assistance to families who fail to correct HQS deficiencies that they caused. The PHA should notify the owner of its intent to terminate the family's program assistance so the owner can begin eviction procedures. The PHA should continue to pay the owner until the eviction is completed.

The PHA may set policy regarding tenant and owner presence at the inspection.

The inspector conducts the unit inspection. Each item on the inspection checklist must receive a rating of pass, fail, or inconclusive. The inspector should make clear notes about the nature of all fail and inconclusive items. For the unit to receive a pass rating, no fail or inconclusive items can be noted on the inspection checklist.

Improvements which have occurred since the previous unit inspection, addition of amenities or services, and changes in type of or responsibility for utilities should be noted and reported to appropriate PHA staff.

The inspector may record recommended improvements or items that should be brought to the attention of the owner or tenant, but are not HQS deficiencies.

Written notification to the owner and/or tenant is required for all items for which fail or are inconclusive. The notice must include a list of HQS deficiencies and the correcting deadline. (See Exhibit 10-7a and Exhibit 10-7b, *Sample Notice, Owner and Tenant HQS Deficiencies*.). Reinspection or PHA verification that failed and/or inconclusive items are corrected is required.

Any time an inspector is present in an assisted unit, the inspector has the right to conduct a full inspection. If new HQS items are discovered during the time of a reinspection, the new items must be noted and the owner and/or tenant must be notified to correct the deficiencies.

Owners are responsible to the PHA for compliance with all HQS items except those specifically assigned to tenants.

Tenants are responsible to correct HQS fail and inconclusive items resulting from:

- Failure to pay for tenant-supplied utilities;
- Failure to supply appliance(s) required by the lease; or
- Damage to the unit.

10.7 COMPLAINT INSPECTIONS

The PHA must investigate complaints about HQS matters that are registered by tenants, owners or the general public.

Violations resulting from complaint inspections are treated in the same manner as annual inspection violations. Failure to comply with violation notices issued from complaint inspections result in abatement of payment to owners and/or termination of program assistance for tenants.

PHAs should schedule complaint inspections based upon the nature of the complaint. Staff that receive complaints should distinguish between emergency (life threatening) and routine matters and act accordingly.

Abatement of Payments

The PHA must abate HAP payments to owners who do not comply with notifications to correct HQS deficiencies within the specified time period: 24 hours or 30-days depending upon the

nature of the deficiency. For valid reasons, the PHA may extend the time period. Placement of abatement must occur by the first of the month following expiration of the notice.

Except in the case of life threatening violations requiring corrections within 24 hours, the owner must receive 30-day written notification of the abatement. Therefore, it is important that PHAs include the 30-day notice to abate in the original violations notice. (See sample notice, Sample Notice of HQS Deficiency; Exhibit 10-7b.) If this does not occur, a separate Notice of Abatement, Sample Notice Exhibit 10-8, which delays the placement of abatement and has implications under SEMAP compliance, must be sent to the owner. (See Section 10.7.3.)

Following a failure to comply with a notice of deficiency owners are not entitled to HAP payments from the first of the month until the day the unit passes HQS. Examples include:

- The owner receives a notice of violation in May to correct deficiencies by June 20 or abatement of payment will occur on July 1. The owner does not comply on June 20th. An abatement is placed on July 1 unless the owner complies prior to July 1. (The PHA may allow the owner to request a reinspection of the unit for compliance with HQS before or after the abatement has been placed.) If the unit passes re-inspection, the PHA may reinstate HAP payments on the day the owner complies and reverse any notice of abatement or cancellation of HAP contract that may have been issued.

- The owner receives a notice of violation in May to correct deficiencies by June 20, but the notice does not contain language that abatement of payment will occur on July 1. The owner must be given a 30-day notice before the abatement can occur. Abatement may not be placed before August 1.

- In May, the owner receives a notice of violation requesting a correction of deficiencies by June 20 and the notice contains language that failure to comply will result in abatement of payment July 1. The owner does not comply and abatement is placed on July 1. The owner requests a re-inspection following abatement and passes the reinspection on July 10. HAP payments may be re-instated on July 10, resulting in a nine-day sanction. The PHA may not withhold HAP payments to recover the time the unit was out of compliance with HQS from June 20 through June 30.

Termination of HAP Contract

The PHA may terminate the HAP contract for an owner's failure to comply with its terms and conditions, including non-compliance with HQS. Both the owner and the tenant must be notified of intent to terminate. (See Exhibit 15-1, *Sample Notice of Termination*.)

The PHA may issue a voucher to the family to move, provided the family is eligible (not in violation of the terms of assistance, including HQS responsibilities). The family should be reminded of its responsibility to the owner to give notice of intent to move, and must continue to pay its portion of the rent as long as the family remains in the unit. Procedures for terminating

the HAP contract should be stated in the PHA administrative plan. (See Guidebook Chapter 15, Termination of Assistance and Housing Assistance Payment Contracts.)

Termination of Assistance

Termination of program assistance is discussed in Chapter 15. (See Exhibit 15-2, *Sample Notice of Termination of Program Assistance*.)

Special Inspection Process and Procedure

Special inspections include inspections in response to complaints registered with the PHA by families, owners or other sources regarding the unit's condition, quality control inspections, or any other inspection the PHA may deem appropriate to conduct.

PHAs are obligated to investigate complaints which may indicate non-compliance with HQS requirements. When repeated complaints about an assisted property are received, the PHA may wish to conduct regular or routine inspections more often than annually.

Quality control inspections are a second type of special inspection and are required by program regulations. See the discussion on quality control inspections in Section 10.7 of this Chapter.

Special inspections resulting in a fail or inconclusive HQS determination require the same notification actions and enforcement processes described above for annual inspections.

As discussed in Section 10.7 of this Chapter, the PHA should use tracking systems to monitor compliance with deadlines for correction of HQS violations, abatements, and terminations resulting from annual and special inspections.

The PHA should develop a procedure and tracking system to record, track, and schedule all unit inspections to ensure that inspection-related SEMAP requirements are met. These methods will assist staff to schedule and conduct the unit inspection within the required time frames. Frequent monitoring is necessary to assure that rescheduling of unit inspection is pursued diligently.

10.8 PHA-OWNED UNITS

A unit that is owned by the PHA that administers the housing choice voucher program (including a unit owned by an entity substantially controlled by the PHA) may not be inspected for HQS compliance by PHA staff.

- The PHA must obtain the services of an independent entity to perform HQS inspections and to communicate the results of these inspections to the family and the PHA.

- The independent agency must be approved by HUD.

- Administrative fee income may be used to compensate the independent agency. Other program receipts may not be used.

- Neither the PHA nor the inspecting agency may charge the family any fee for the inspection service.

The PHA may select a government, nonprofit, or private group to conduct the independent HQS inspections. The independent agency may be a unit of general local government, but it may not be the PHA. Other local government agencies such as the local code enforcement agency, the Community Development Agency, or the Health Department may be acceptable. A neighboring PHA or a consultant are also possibilities.

After the PHA receives HUD approval of an independent inspection entity, the PHA should establish a system to report addresses and inspections schedules, receive information from the inspection entity, and manage the information flow. PHA owned units are also subject to SEMAP requirements.

10.9 SEMAP INDICATORS RELATED TO INSPECTIONS AND HQS

Introduction

The following five SEMAP Indicators, totaling 50 points, are directly or indirectly related to PHA compliance with program inspection requirements:

- Indicator 2, Rent reasonableness;
- Indicator 5, HQS quality control inspections;
- Indicator 6, HQS enforcement;
- Indicator 11, Precontract HQS inspections; and
- Indicator 12, Annual HQS inspections.

SEMAP Certifications and Scoring are discussed in Chapter 1, Introduction.

Certification of Indicators 2, 5, and 6 is audited by the PHA through quality control sampling. Sample size varies depending upon the universe, as shown in Table 10-1, *Minimum Size of the PHA's Quality Control Sample*. The scores resulting from the PHA quality control process and certified by the PHA to HUD will be verified by the PHA independent auditor.

TABLE 10-1
MINIMUM SIZE OF THE PHA'S QUALITY CONTROL SAMPLE

Universe	Minimum number of files or records to be sampled
50 or less	5
51-600	5 plus 1 for each 50 (or part of 50) over 50
601-2000	16 plus 1 for each 100 (or part of 100) over 600
Over 2000	30 plus 1 for each 200 (or part of 200) over 2000

The universe is determined as follows:

- SEMAP Indictor 2, Rent reasonableness: number of families assisted;
- SEMAP Indicator 5, HQS quality control inspections: number of units under HAP contract during the last completed PHA fiscal year;
- SEMAP Indicator 6, HQS enforcement: number of failed HQS inspections in the last year.

The scores for SEMAP Indicators 11 and 12 are determined by data submitted by the PHA to HUD through MTCS.

Indicator 2, Rent Reasonableness

Program requirements for this indicator are discussed in detail in Chapter 9, Rent Reasonableness.

When determining the rent to owner, data must be gathered on a variety of units in order to allow the PHA to make a comparability determination. PHA staff conducting the initial pre-contract inspection are the most likely candidates to gather or verify the data, using the nine factors in the rent reasonableness procedure.

See Sample Data Collection Form for Program Unit provided in Chapter 9.

Indicator 5, HQS Quality Control Inspections

- A PHA supervisor or other qualified person must reinspect a sample of units under contract during the last PHA fiscal year. The guidelines included in Table 10-1 determine the required sample size.
- The universe referred to in Table 10-1 is the number of units under HAP contract at the end of the PHA's previous fiscal year. Example: The PHA fiscal year ends December 31, 2000. The SEMAP 2000 rating year for this PHA is January 1- December 31, 2000. The universe for this indicator is the number of units under HAP contract on December 31, 1999.
- Completed HQS inspections included in the sample must be no older than three months at the time of the reinspection. The sample must represent a cross section of neighborhoods where program units are located and inspections completed by all HQS inspectors. The sample should also include a cross-section of initial and annual inspections.
- Quality control reinspections should be conducted by staff trained in the PHA's inspection standards and should receive the same guidance as other PHA inspectors on inspection policies and procedures.

In addition to monitoring SEMAP compliance, quality control inspections provide feedback on inspectors' work, which can be used to determine if individual performance or general HQS training issues need to be addressed. For SEMAP purposes, an HQS deficiency found at the time of the quality control reinspection represents a "fail" quality control inspection. When rating an individual inspector's performance, the quality control inspector should take into account whether the failed item occurred since the previous inspector was on site. Often the tenant can describe when the deficiency occurred and will be helpful in making this determination. Deficiencies that occurred after the original inspection should not be held against the inspector's performance record.

The PHA should maintain a quality control tracking system for each SEMAP year, which indicates, the address of the units, date of original inspection and inspector, date of the quality control inspection, results of the quality control inspection, and location of the unit by neighborhood, zip code, census tract, etc. (See Exhibit 10-9, *Documenting Quality Control Inspections.*)

Indicator 6, HQS Enforcement

- All life-threatening HQS deficiencies must be corrected within twenty-four (24) hours of inspection and all other cited HQS deficiencies must be corrected no more than 30 calendar days from the inspection unless the PHA approved an extension of time for correction.

- For HQS deficiencies that are the owner's responsibility and are not corrected within the prescribed time frames, the PHA must abate housing assistance payments beginning no later than the first of the month following expiration of the PHA violation notice. Violation notices should contain language regarding abatement of payment for owner failure to make corrections.

- For HQS deficiencies that are the responsibility of the tenant and are not corrected within the prescribed time frames, the PHA must take prompt and vigorous action to enforce family obligations following program requirements.

- Compliance with this indicator is determined through quality control of files and records, in accordance with Table 10-1. The number of failed units in the PHA's past fiscal year establishes the universe.

The PHA should establish the definition of deficiencies that will be considered emergency fail items and should put a procedure in place to record, track, and close violations within 24 hours of inspection or take abatement action.

Promptly following inspection, PHAs should issue violations letters for emergency fails to the responsible party. This may be done by fax, courier, overnight mail, or regular mail and should be followed by personal contact. PHAs should have a system to cover these circumstances on weekends and holidays when staff are not readily available to conduct reinspections. Potential approaches include: phone calls to the tenant or owner within the 24 hour period to verbally

determine compliance, followed by a site reinspection the next business day; rotation of inspectors to cover holiday and Saturday reinspections; receipt by fax of owner/tenant certifications that corrections are made within the required time frame, or telephone confirmation to a voice mail system followed by a reinspection on the next business day.

Promptly following inspection, notices to correct routine violations should be issued and should state a date for compliance that allows time for corrections to be made and a reinspection to be conducted within the 30-day time frame. Letters of violation should clearly state that failure to gain entry to the unit or failure to comply will result in abatement of assistance payments on the first of the month following the correction period.

Inspectors must identify the party responsible for each HQS violation listed on the inspection instrument so that proper notice can be sent to the owner and/or tenant for the appropriate items. This precludes abatement of owner rent when the violation(s) is the responsibility of the tenant. Housing assistance payments are never abated for tenant deficiencies.

The PHA must have a system to promptly identify units for which deficiencies have not been corrected within the required timeframe, in order to indicate abatement of rent and/or termination of assistance to the family. (See Exhibit 10-10, *Sample Tracking Log for Emergency Inspections*.) Termination of assistance procedures should be stated in the PHA administrative plan. In order to meet the SEMAP requirement to "take prompt and vigorous action" for tenant violations the PHA should strictly follow these procedures when the family fails to correct HQS violations.

PHAs should monitor HQS enforcement on a regular basis (daily, weekly, or monthly) to guarantee that reinspections occur within the proper time frames. PHAs may not penalize owners for PHA failure to conduct the reinspections on time. However, if owners fail to comply or allow entry into the unit, the PHA should notify the owner that it will begin abatement in 30 days.

For fairness and consistency, PHAs should have an established policy and procedure for receiving and processing requests for HQS compliance deadline, including the conditions under which extensions will be granted. It is not advisable to grant extensions without just cause, or to grant verbal extensions; this can be construed as circumvention of the SEMAP requirement.

The PHA must have a system to record the results of SEMAP quality control reviews of inspections. At a minimum, the system should provide: the address of the unit, date of original failed inspection, responsibility for the deficiency (tenant or owner), date of reinspection, result(s) of the reinspection, date owner notified of abatement, actual date of abatement, any extensions to that date, and initiation and status of termination of tenancy. The PHA should regularly monitor the tracking system to assure compliance.

Indicator 11, Pre-Contract Inspections

- PHAs must conduct initial inspections to determine that a unit passes HQS requirements on or before the effective date of the assisted lease and HAP contract.

- Scoring of this indicator is based upon the date of the passed inspection reported on the form HUD 50058 transmitted through MTCS.

The PHA should routinely ensure that all new units pass HQS inspection prior to lease and HAP execution. The staff person responsible for signing the HAP contract should review the file to determine whether the unit passed before the HAP contract effective date.

Monthly MTCS reports should be monitored by the PHA to ensure that the system accurately reflects the PHA's performance.

Indicator 12, Annual Inspections

- Each unit under HAP contract must be inspected at least annually and no more than 12 months following the most recent inspection.

- Scoring for this indicator is determined by data submitted to HUD for reporting in MTCS.

Following procedures described earlier in this chapter, the PHA should carefully determine the number of units to be scheduled for inspection in the upcoming SEMAP year.

Tracking systems and management reports should be in place to ensure that units are being inspected within the required 12-month period.

For purposes of this indicator, MTCS monitors the date of the last inspection of the unit to determine if it occurred within twelve months. PHAs should exercise caution that the correct date is placed into the system. The unit does not have to pass inspection within the time frame, but an inspection must occur.

Prompt scheduling is essential to getting all unit inspections conducted within required time frames. PHAs should review their scheduling procedures to determine if other processes that may result in inspections not being completed on time, are linked to annual inspection, such as the recertification process or families that are searching for new units. PHAs are also encouraged to streamline procedures and increase owner/tenant education to limit the number of units which are ready for inspection when scheduled. This requires a rescheduled or follow-up inspection.

PHAs should consider decoupling inspection from recertifications to balance monthly inspector workload. Annual inspections do not have to coincide with the recertification process. Inspections may be de-coupled from the recertification process and conducted by other methods such as by zip code, specific buildings or apartment complexes, census track or ownership.

SAMPLE

EXHIBIT 10-1

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

Lessor's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):

(i) _____Known lead-based paint and/or lead-based paint hazards are present in the housing. (Explain.)

_____

_____

(ii) _____Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check (i) or (ii) below):

(i) _____Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

_____

_____

(ii) _____Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Lessee's Acknowledgement (initial)

(c) _____Lessee has received copies of all information listed above.

(d) _____Lessee has received the pamphlet *Protect Your Family from Lead in Your Home*.

Agent's Acknowledgement (initial)

(e) _____Agent has informed the lessor of the lessee's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Lessor	Date	Lessor	Date
Lessee	Date	Lessee	Date
Agent	Date	Agent	Date

EXHIBIT 10-2

Sample Lead Paint Owner's Certification
Housing Choice Voucher Program

The undersigned hereby certifies that the property located at: (give full address, include apartment number)

_____

_____

_____

is in compliance with all housing quality standard (HQS) requirements related to lead-based paint as indicated below.

(Mark ALL appropriate boxes)

The described property, including dwelling units, common areas and exterior painted surfaces, has been found to be free of lead-based paint by a certified lead-based paint inspector. The lead-based paint inspector's report is either attached or has already been provided to the PHA.

The described property was inspected by a certified lead-based paint inspector and lead-based paint was identified. All identified lead-based paint has been removed from the property, and the reports of the lead-based paint inspector and the certified lead-based paint abatement supervisor are attached or have already been provided to the PHA.

Ongoing lead-based paint maintenance activities have been incorporated into regular building operations in accordance with 24 CFR 35.1355(a).

Corrective action to address lead-based paint hazards at the described property that were required by the PHA to meet HQS have been completed in accordance with all requirements established by 24 CFR Part 35, including:

The boxes below do not apply when paint stabilization is below de minimis levels.

The work was completed by person(s) trained to conduct lead-based reduction activities or was supervised by a certified lead-based paint abatement supervisor.

Occupants of the dwelling unit(s) and their belongings were protected during the course of the work.

The lead hazard worksite was properly prepared and maintained during the course of their work.

A person certified to conduct clearance examinations performed a clearance test and the results indicate that clearance was achieved.❑ Occupants have been properly notified of the results of any lead-based paint hazard evaluation and reduction, including the results of the clearance examination.

(Owner's Signature): _____

(Type or Print Name): _____

(Date): _____

EXHIBIT 10-3

SAMPLE HAZARD REDUCTION NOTICE
(From Federal Register dated 9/15/99)

Summary Notice of Completion of Lead-Based Paint Hazard Reduction Activity

Address/location of property or structure(s) this summary notice applies to:
_____
_____

Summary of hazard reduction activity:
Start and completion dates(s):_____

Activity locations and types: List at least the housing unit numbers and common areas (for multi-family housing), bare soil locations, dust-lead locations, and/or building components (including type of room or space, and the material underneath the paint), and types of hazard reduction activities performed at the locations listed:
_____
_____
_____

Date(s) of clearance testing and/or soil analyses:_____

Locations of building components with lead-based paint remaining in the rooms, spaces or areas where activities were conducted:
_____
_____

Summary of results of clearance testing and soil analyses:
(a)_____No clearance testing was performed.
(b)_____Clearance testing showed clearance was achieved.
(c)_____Clearance testing showed clearance was not achieved.

Contact person for more information about the hazard reduction:
Printed name:_____
Organization:_____
Street and city:_____
State:_____ZIP:_____Phone number:_____

Person who prepared this summary notice:
Printed name:_____
Signature:_____
Date:_____
Organization:_____
Street and city:_____
State:_____ZIP:_____Phone number:_____

EXHIBIT 10-4

SUMMARY NOTICE OF LEAD-BASED PAINT RISK ASSESSMENT
(From Federal Register dated 9/15/99)

Address/location of property or structures(s) this summary notice applies:
_____
_____
_____

Lead-based paint risk assessment description:

Date(s) of risk assessment:_____

Summary of risk assessment results: (Check all that apply)

(a) ____No Lead-based hazards were found.
(b) ____Lead-based paint hazards were found.
(c) ____A brief summary of the findings of the assessment.

Summary of types and locations of lead-based paint hazards. List at least the housing unit numbers and common areas (for multi-family housing), bare soil locations, dust-lead locations and/or building components (including type of room or space, and the material underneath the paint), and types of lead-based paint hazards found:

_____
_____
_____
_____

Contact person for more information about the risk assessment:

Printed name:_____
Organization:_____
Street and City:_____
State:_____ZIP:_____Phone number:_____

Person who prepared this Summary Notice:

Printed name:_____
Signature:_____
Date:_____
Organization:_____
Street and city:_____
State:_____ZIP:_____Phone number:_____

EXHIBIT 10-4a

SAMPLE LETTER

ANNUAL INSPECTION APPOINTMENT LETTER

Dear Owner:

In accordance with the housing choice voucher program requirements, the unit that you own at _____, City and State, must be inspected annually to continue participation in the program.

Name of PHA has scheduled this inspection for date and time. It is your responsibility to make certain entry can be gained to the unit, common area spaces and heating facilities at the appointed time. You or your tenant may be present for the inspection.

If you find it necessary to re-schedule this appointment, please do so number of days, in advance of the appointed date and notify your tenant of the changed date. Please be advised that failure to allow the inspection or to reschedule the unit within a reasonable time period may result in the abatement of HAP payments and/or termination of the unit from the program.

It is very important that inspections be completed timely. We recommend that you inspect your unit in advance of the scheduled inspection and correct any deficiencies which may cause the unit to fail inspection.

If you have any questions, please telephone _____at _____ during the hours of _____and _____ Monday through Friday.

Sincerely,

PHA Staff

cc: Tenant

EXHIBIT 10-4b

SAMPLE LETTER

SECOND NOTICE OF INSPECTION APPOINTMENT

Dear Owner:

By letter of _____we notified you that the unit you own at _____was scheduled for the required annual inspection under the terms of your housing assistance payments (HAP) contract for the housing choice voucher program.

The inspection was not made for the following reasons:

_____No one was present to allow entry by the inspector.

_____You canceled the inspection, and have failed to re-schedule the unit.

You must contact _____at _____to reschedule the inspection of the unit by no later than _____. Failure to re-schedule the unit or to allow entry on the appointed date will result in abatement of your HAP payments effective _____ and termination of the unit from the program on _____.

If you have any questions, please contact_____at_____during the hours of _____and _____, Monday through Friday.

Sincerely,

PHA Staff

cc: Tenant
Any other PHA staff needing this information

EXHIBIT 10-5

SAMPLE LETTER

DENYING REQUEST FOR INSPECTION

Dear Owner:

Name of Authority has received a request to inspect the unit you own at _____for participation in the housing choice voucher program. This request is denied for the following reasons:

_____Records indicate you have a repeated history of violations of program rules and regulations including repeated violations of HQS at properties you own.

_____Records indicate that you were notified to correct deficiencies related to lead-based paint at this unit and they were not made. This unit may not be occupied by another assisted family until the terms of the previous notice have been met.

If you have questions, you may contact _____at_____during the hours of _____and _____Monday through Friday.

Sincerely,

PHA Staff

cc: Prospective tenant

EXHIBIT 10-6

SAMPLE LETTER

NOTICE - INITIAL INSPECTIONS

Dear Owner:

Please be advised that an inspection was made at the property that you own located at _____. The unit has been proposed for participation in the housing choice voucher program.

The result of the inspection was:

_____The unit meets HQS and has been approved for inclusion in the program. You will be notified by _____shortly of the procedures which must be followed in order to execute the lease and housing assistance payments contract.

_____The unit needs repairs to meet HQS. A list of those repairs is attached. We are unable to process this unit for lease under the program until all HQS requirements have been met.

Please contact this office at _____when the unit is ready for reinspection or if you have questions about this letter.

If we have not heard from you by _____, we will assume you do not intend to make the needed repairs and we will notify the prospective tenant to locate another suitable dwelling unit.

Sincerely,

PHA Staff

cc: Prospective tenant

EXHIBIT 10-7a

SAMPLE LETTER

NOTICE OF HQS DEFICIENCIES - TENANT
(Annual or Special Inspections)

Dear Tenant:

Please be advised that on _____an HQS inspection was made at the property where you reside.

The unit requires repairs to meet HQS. A list of required repairs is attached.

These repairs must be completed by _____and you must telephone _____to schedule a re-inspection of the unit by _____. Failure to make the corrections and/or schedule a re-inspection within the required time frames will result in the termination of your program assistance effective _____.

NOTICE: The PHA reserves the right to cite additional violations upon re-inspection of the unit should conditions at the time of re-inspection warrant this.

Thank you for your cooperation.

Sincerely,

PHA Staff

cc: Owner
(Other PHA staff needing to have this information)

EXHIBIT 10-7b

SAMPLE LETTER

SAMPLE NOTICE OF HQS DEFICIENCY - Owner
(Annual, or Special Inspections)

Dear Owner:

Please be advised that on _____an inspection was made at the property you own located at _____.

The unit needs repairs to correct HQS deficiencies. A list of required repairs is attached. These repairs must be completed by_____. You must telephone _____to schedule a re-inspection of the unit by_____.

Please be advised that failure to complete these repairs and/or have a re-inspection conducted by the specified time frames will result in abatement of your housing assistance payments on _____and termination of the HAP contract on _____.

NOTICE: The PHA reserves the right to cite additional HQS violations upon re-inspection of the unit should conditions at the time of re-inspection warrant.

Thank you for your cooperation.

Sincerely,

PHA Staff

cc: Tenant

EXHIBIT 10-8

SAMPLE LETTER

NOTICE OF ABATEMENT

Dear Owner:

On _____you received a notice to correct HQS deficiencies at the unit you own located at _____.

To date, you have not complied with the terms of the notice of violation. Effective _____your housing assistance payments for this unit will be abated. Termination of the HAP contract will occur on _____.

If you have made the repairs and wish to have a re-inspection of the unit, you must do so by _____. Provided the unit passes inspection by the date established in this paragraph, we will resume your payments on _____ and cancel the termination of the HAP contract.
If you have any questions or we can be of assistance, please telephone _____between the hours of ___and _____ Monday through Friday.

Sincerely,

PHA Staff

cc: Tenant
(PHA staff that need to know this).

EXHIBIT 10-9

DOCUMENTING QUALITY CONTROL INSPECTIONS

Address of Unit	Neighborhood or Zip Code	Date of Original Inspection	Original Inspector	Date of Quality Control Inspection	Inspections Result

EXHIBIT 10-10

EMERGENCY INSPECTION LOG

Unit Address	Date of Inspection	Inspection Result	Tenant or Owner Violation	Date Written Notice Sent	Reinspection Date	Reinspection Result	Date of Abatement	Date Tenant Termination Processed
(These columns are necessary to track Emergency Inspection)								

Optional columns include:

Unit or Tenant ID #	Zip Code	Owner Name	Owner Address	Owner Telephone	Tenant Name	Tenant Telephone

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CHAPTER 11
HOUSING ASSISTANCE PAYMENTS (HAP) CONTRACTS

11.1 CHAPTER OVERVIEW

The HAP contract is a written agreement between the PHA and the owner of a unit occupied by a housing choice voucher program participant. The HAP contract must be in the form prescribed by HUD. Under the HAP contract, the PHA agrees to make housing assistance payments to the owner on behalf of a specific family leasing a specific unit. The PHA uses its payment standard schedule to calculate the monthly HAP payment to the owner. (See Chapter 7.)

Prior to PHA approval of the assisted tenancy and the execution of a HAP contract, the PHA must ensure that the following program requirements have been met:

- Owner is eligible (see Section 11.2, Owner Approvals);
- Unit is eligible (see Chapter 8);
- Unit has been inspected by the PHA and meets HQS (see Chapter 10);
- Lease includes the tenancy addendum (see Chapter 8); and
- Rent charged by the owner is reasonable (see Chapter 9).

Upon approval of the assisted tenancy, the owner and the PHA can execute the HAP contract. Housing assistance payments are due to the owner on the first day of each month. The owner's right to receive housing assistance payments depends on compliance with all the provisions of the HAP contract. The owner's endorsement of the HAP check signifies that the owner has agreed to and is in compliance with the terms of the HAP contract. No payments may be made to the owner after the family moves out of the unit or the lease term ends.

11.2 OWNER APPROVALS

Prior to executing a HAP contract and processing housing assistance payments, the PHA must determine that the owner of the assisted unit is eligible to participate in the housing choice voucher program. The term "owner" may include a principal or other interested party.

Debarment and Other Causes for Disapproval

The PHA must not approve an owner's participation in the program if:

- HUD or another party informs the PHA that the owner is debarred, suspended, or subject to a limited denial of participation.

- HUD informs the PHA that the federal government has instituted an administrative or judicial action against the owner for a violation of the Fair Housing Act or other federal equal opportunity requirements and such action is pending; or

- HUD informs the PHA that a court or administrative agency has determined that the owner violated the Fair Housing Act or other federal equal opportunity requirements.

Conflicts of Interest

A PHA must not execute a HAP contract when the owner of the unit is a relative of the family to be assisted, unless approving such a tenancy would provide reasonable accommodation for a disabled family member. Prohibited owner-family relationships include parent, child, grandparent, grandchild, sister, or brother of any member of the assisted family. This restriction applies at the time that the family receives assistance under the housing choice voucher program for occupancy of a particular unit. Current contracts on behalf of owners and families that are related may continue. Any new leases or contracts for these families, however, may not be approved, *except new leases or contracts signed solely as a result of the merger to the housing choice voucher program.*

PHAs must not approve HAP contracts in which any of the following parties have a current interest or will have an interest for one year thereafter:

- Present or former member or officer of the PHA, except a participant commissioner;
- Employee of the PHA or any contractor, subcontractor, or agent of the PHA who formulates policy or influences program decisions;
- Public official, member of a governing body, or state or local legislator who exercises functions or responsibilities related to the programs; or
- Member of the U.S. Congress.

HUD may waive the conflict of interest requirements for good cause. PHAs must submit waiver requests to the HUD field office. The waiver request should include the following:

- Complete statement of the facts of the case;
- Analysis of the specific conflict of interest provision of the HAP contract and justification as to why the provision should be waived;
- Analysis of and statement of consistency with state and local laws. The local HUD office, the PHA, or both parties may conduct this analysis. Where appropriate, an opinion by the state's attorney general should be obtained;
- Opinion by the local HUD office as to whether there would be an appearance of impropriety if the waiver were granted;
- Statement regarding alternative existing housing available for lease under the housing choice voucher program or other assisted housing if the waiver is denied;

- If the case involves a hardship for a particular family, statement of the circumstances and discussion of possible alternatives;

- If the case involves a public official or member of the governing body, explanation of his/her duties under state or local law, including reference to any responsibilities involving the housing choice voucher program;

- If the case involves employment of a family member by the PHA or assistance under the housing choice voucher program for an eligible PHA employee, explanation of the responsibilities and duties of the position, including any related to the housing choice voucher program; and

- If the case involves an investment on the part of a member, officer, or employee of the PHA, description of the nature of the investment, including disclosure/divestiture plans.

The PHA must not execute the HAP contract until the HUD field office makes a decision on the waiver request.

In cases where an employee, contractor, subcontractor, or agent of the PHA is also an owner, a PHA may opt to resolve this conflict of interest by transferring such cases to a neighboring PHA. The family is essentially treated like a "port-out", and the neighboring PHA agrees to assume responsibility for administering the subsidy.

A PHA may adopt a policy of disapproving owners for any of the specific reasons listed below:

- Violation of obligations under one or more HAP contracts under the housing choice voucher program or the Section 8 project-based program;

- Acts of fraud, bribery or any other corrupt or criminal act in connection with any federal housing program;

- Participation in any drug-related criminal activity or any violent criminal activity;

- Current or previous practice of non-compliance with HQS or state and local housing codes in housing choice voucher program units or with applicable housing standards for units leased under any other federal housing program;

- Current or prior history of refusing to evict housing choice voucher program or other assisted housing tenants for activity by the tenant, any member of the household, a guest, or another person under the control of any member of the household that:

    - Threatens the right to peaceful enjoyment of the premises by other residents;

    - Threatens the health or safety of residents, PHA employees, or owner employees;

- Threatens the health or safety of neighbors or the neighbors' rights to peaceful enjoyment of their residence; or

- Engages in drug-related criminal activity or violent criminal activity; and

- Failure to pay state or local real estate taxes, fines, or assessments.

PHA policies regarding owner approval must be clearly stated in the PHA administrative plan. When deciding whether to adopt discretionary policies restricting owner approval, a PHA should carefully consider the effects of such policies on a family's ability to lease units under the housing choice voucher program. While it is wise to limit participation to owners in good standing, PHAs in tight housing markets or PHAs that are struggling to attract owners to the program may not be in a position to establish a restrictive policy, if such a policy would negatively affect family success rates in finding approvable units to lease.

When developing policy, the health and safety of the participating family should be given the utmost consideration. For example, disapproving owners who have seriously and repeatedly violated HQS may be more important than disapproving owners who have committed other HAP contract violations. In some instances, it may be more beneficial to the PHA to initially approve an owner whose standing may be in question but to have in place and enforce a termination policy to deal with owners that fail to comply with program requirements and PHA administrative plan policies.

If a PHA decides to disapprove an owner, it may not terminate the HAP contract for families that are already living in the owner's properties unless the owner has violated the HAP contract for such units.

11.3 TERM OF HAP CONTRACT

The term of the HAP contract must run concurrently with the term of the lease, including any extensions of the lease term. Occasionally, families move into units prior to HAP contract execution, and some owners require these families to sign a lease prior to moving into the unit. In these situations the PHA must request that the owner and PHA execute a new lease once the HAP contract is signed. Ideally, PHAs will avoid the additional step of executing another lease by completing leasing and HAP contract preparation activities as quickly, efficiently, and accurately as possible so that the HAP and lease can be executed simultaneously.

The HAP contract and the housing assistance payments made under the HAP contract terminate automatically in each of the following situations:

- Owner or tenant terminates the lease;

- Lease expires;

- PHA terminates the HAP contract;

- PHA terminates assistance for the family;
- Family moves from the unit. The owner is entitled to keep the housing assistance payment for the month when the family moves out of the unit. The term of a new HAP contract for a new unit may begin in the same month in which the participant moves out of the previously assisted unit. This is not considered a duplicative subsidy.
- When 180 calendar days have elapsed since the PHA made the last housing assistance payment to the owner;
- If the family is absent from the unit for longer than the maximum period permitted by the PHA in its administrative plan. The owner must reimburse the PHA for any housing assistance payment for the period after the termination; and
- Upon expiration of the annual contributions contract.

The PHA may decide to terminate the HAP contract in each of the following situations:

- Available program funding is not sufficient to support continued assistance for families in the program;
- Unit does not meet HQS size requirements due to change in family composition;
- Family breaks up;
- Unit does not meet HQS; and
- Owner breaches the HAP contract. (See Section 11.9, *Owner Breach of Contract*, below. See also Chapter 15 for a more detailed discussion of HAP contract terminations.)

11.4 PAYMENT TO OWNER

The PHA must make housing assistance payments to the owner in accordance with the terms of the HAP contract, and the owner must comply with the provisions of the HAP contract in order to receive such payments. The HAP contract specifies that payments are to be made monthly, at the beginning of each month. Housing assistance payments must be made only during the lease term and while the family is residing in the unit. When a lease term begins after the first of the month, the housing assistance payment for the first month is pro-rated for a partial month.

The PHA determines the amount of housing assistance payment to the owner in accordance with HUD regulations and other requirements. (See Chapter 6.) The amount of housing assistance payment is subject to change during the term of the HAP contract. The PHA must notify both the owner and tenant of any changes in the housing assistance payment.

The monthly housing assistance payment by the PHA is credited toward the monthly rent to owner under the family's lease. The total of the rent paid by the tenant plus the PHA housing

assistance payment may not be more than the rent to owner. The owner must immediately return any excess payment to the PHA.

The part of the rent to owner that the tenant pays may not be more than the difference between the rent to owner and the housing assistance payment. The owner may not demand or accept any rent payment from the tenant in excess of this maximum and must immediately return any excess rent payment to the tenant. The family is not responsible for payment of the portion of rent to owner covered by the housing assistance payment. Likewise, the PHA is not responsible for any portion of the family share, including family rent to owner. Payment of the family share is the responsibility of the family.

Distribution of Housing Assistance Payment

Generally, the PHA pays the entire housing assistance payment directly to the owner. In some instances, however, the housing assistance payment may exceed the amount of rent to owner. This can happen when the family must pay some or all of its utilities. In these cases, the PHA pays the amount of the housing assistance payment that exceeds the rent to owner either to the family or directly to the utility supplier to pay the utility bill on behalf of the family. This excess amount is called a utility reimbursement. (See Chapter 6.)

Stopping the Housing Assistance Payment

Housing assistance payments stop when the family can afford to pay the full rent to owner and any utilities for which the family is responsible. Specifically, the PHA does not make housing assistance payments when the following occurs:

- Thirty percent of the family's monthly adjusted income equals or exceeds the payment standard; or

- The family share equals or exceeds the gross rent.

Stopping the housing assistance payment in these situations does not affect the family's rights under the lease. If the family's income, size, composition, or other circumstances change during the term of the HAP contract, housing assistance payments may be resumed. It should be noted that the HAP contract remains in effect for only 180 calendar days after the PHA makes the last housing assistance payment.

Penalties for Late Payment of HAP

The PHA must pay the housing assistance payment promptly to the owner. The HAP contract provides for penalties against the PHA for late payments *after the first two calendar months of the HAP contract term.* For the penalties to take effect, all of the following circumstances must apply:

- Penalties imposed must be in accordance with generally accepted local rental market practices and law governing penalties for late payment of rent by a tenant;

- It must be the owner's normal business practice to charge such penalties for assisted and unassisted tenants; and

- The owner must also normally charge such penalties against the tenant for late payment of family rent to owner.

The PHA may add HAP contract provisions that define when the housing assistance payment by the PHA is deemed received by the owner. For example, receipt of payment may be defined as "upon mailing by the PHA" or "upon actual receipt by the owner". The PHA may only use administrative fee income or the administrative fee reserves for the program to pay a late payment penalty. The PHA may not use other program receipts for this purpose.

The PHA does not have to pay any late payment penalty if HUD determines that the late payment was due to factors beyond the PHA's control. Nor does the PHA have to pay a late payment penalty if the payment was intentionally delayed or denied due to an owner breach of the HAP contract.

Processing Housing Assistance Payments

While most PHAs issue checks for housing assistance payments, some subcontract this function to another organization, such as a banking institution. While both approaches are acceptable, one may be more efficient or cost-effective, depending upon a PHA's individual circumstances and needs. When choosing or re-assessing an existing approach, consider the following:

- How many housing assistance payments do you process each month?

- How many staff members are dedicated to this task? What are their roles and responsibilities? What percentage of their time is dedicated to this task each month?

- How much does it cost you to process housing assistance payments each month?

- What services can an outside organization provide and at what cost?

- If this activity is to be outsourced, will the amount of monitoring required to assure that the process will be more or less cumbersome than the monitoring required when this activity is done in-house?

Checks may be processed using a manual or automated system. PHAs should also consider the use of electronic transfer. While automated systems are recommended for PHAs with large programs, a manual system may be adequate for a PHA with a small number of checks to process each month. PHAs should consider the cost of purchasing a computer, accounting software, training, ongoing technical assistance, and hardware and software maintenance as well as staff technical capabilities before switching from a manual to an automated system. One advantage of a manual system is that the time to process payment adjustments and issue checks outside of the regular payment cycle is often less than it is for automated systems.

The advantages of an automated system are:

- Disbursements are made more quickly;
- Staff time dedicated to HAP processing is reduced;
- Payment accuracy is improved;
- Duplicate payments may be avoided entirely or more easily detected; and
- Accounting reports can be more easily generated.

Whether automated or manual, PHAs should ensure that their HAP processing system is flexible enough to allow for the issuance of additional checks outside of the regular payment cycle to account for payment changes and adjustments that occur during the month. Any good HAP processing system takes into consideration and accounts for periodic changes in the amount of housing assistance or in the name of the payee as the result of:

- Changes to the TTP;
- Adjustments in the utility allowance;
- Adjustments to the contract rent;
- Families that move or are terminated from the program; and
- Changes in ownership of the unit occupied by the assisted family.

USEFUL MONITORING REPORTS RELATED TO HAP PROCESSING

- Payment history showing number and amount of housing assistance payments made monthly, quarterly, or annually.
- Payment history showing number and amount of adjustments made on behalf of each family and reason for each adjustment, with the ability to look at this data in aggregate on a monthly, quarterly, and annual basis.
- Leasing rates.
- Average HAP payment by bedroom size category for budgeting purposes.

When considering switching to an automated processing system, PHAs, particularly small ones, should explore a variety of options, such as using the computer resources of the local government, which often has automated systems already in place for distributing public assistance payments or government employee checks. These computer systems can often be adapted to meet HAP processing requirements. Another option is to enter into a cooperative

agreement with another PHA, or pool resources among local PHAs to purchase or operate an automated HAP processing system for multiple PHAs. If the PHA chooses to hire a contractor or make use of another government agency, that entity will be responsible for absorbing the costs of any late payment penalties.

Regardless of the processing approach chosen, the most important objectives of the PHA are to issue checks to owners *on time* and for the *correct amount*. Recruiting and retaining good owners in the housing choice voucher program is a necessary and challenging responsibility of the PHA. One way a PHA can meet this challenge is to commit to timely processing of housing assistance payments. One of the most common and valid complaints of owners is that they receive HAP checks late. Revamping a check processing system to ensure that owners are paid on time and accurately is a worthwhile investment; without owners, the program cannot meet its purpose of providing eligible low-income families with decent, safe, sanitary and affordable housing.

"FIRST PASS" INCENTIVE PROGRAM FOR OWNERS

In an effort to attract owners to the housing choice voucher program and improve service to owners, one PHA has implemented a program called "First Pass" to streamline its HAP processing so that owners receive their first HAP checks for units undergoing initial inspection at the time of HAP contract execution.

The PHA asks the owner to specify the date on which the unit will be ready for initial HQS inspection. If the unit is ready by the date specified, *and* the unit passes HQS, the PHA will manually issue the first HAP check and deliver it to the owner at the time of HAP contract execution. Normally, the data entry required to issue the HAP payment occurs after the PHA and owner execute the HAP contract, and the first HAP check is mailed with the next regularly scheduled automated check run. The check may not arrive in the owner's mail for 30-45 days after contract execution. The First Pass program eliminates this delay.

In addition to the regular monthly check run, it is common for PHAs, to have one additional check run each month. Generally the additional check run covers actions taken between the check cut-off date and the end of the month, while occasional manual checks are cut in special cases, such as to correct errors or omissions. It is important that the PHA closely monitors and controls all check processing.

The regular check run should always be the most comprehensive run. If a large or growing number of checks is being processed in the second check run, the PHA should carefully review its HAP processing policies and procedures to identify any deficiencies and shortcomings.

One common deficiency is that the PHA's cut-off date for processing housing assistance payments may be too early in the month. A cut-off date that is as close to the last day of the month as possible results in more checks processed in the regular check run and fewer payment adjustments. The goal is to process housing assistance payments efficiently and quickly.

A second common deficiency is that check-runs often require that the PHA's automated system shut down for a period of time, resulting in "down time" for front-line staff. Leasing staff, for example, may be unable to access information in the computer, update cases, or process paperwork. Depending upon the extent and impact of this down-time, one option is to consider running checks outside of regular business hours, such as early morning or late evening.

The cutting of occasional manual checks should also be limited and tightly monitored, as manual checks increase the risk of error, fraud, and abuse. In particular, the PHA with automated systems must ensure that the information used to issue a hand-written check is then entered into the automated system.

11.5 CONTENTS OF HAP CONTRACT

Form HUD-52641 is the HAP contract for the housing choice voucher program. HUD requires PHAs to use this form, and it cannot be modified. The HAP contract contains three parts:

- Part A, Contract Information;
- Part B, Body of Contract; and
- Part C, Tenancy Addendum.

In addition to regular housing choice voucher program tenancies, the HAP contract must also be used for the following "special housing types":

- Single room occupancy (SRO);
- Congregate housing;
- Group homes;
- Shared housing;
- Manufactured home rentals where the tenant is not the owner of the manufactured home and the space rent is included in the rent to owner; and
- Cooperative housing.

The HAP contract is *not* used for the following special housing types:

- Manufactured home space rental by a family that owns the manufactured home and leases only the space; and
- Section 8 homeownership program.

Part A: Contract Information

To prepare the HAP contract, the PHA must fill in all of the contract information requested in Part A of the HAP contract. The HAP contract applies only to the household and contract unit

specified in Part A. Form HUD-52641 contains section by section instructions for completing Part A. Part A contains the following information:

- Name of tenant
- Address of contract unit
- Names of household members
- First date and last date of initial lease term
- Amount of initial monthly rent to owner
- Amount of initial housing assistance payment
- Identification of utilities and appliances to be supplied by owner and tenant
- Signatures of the PHA representative and owner

Although the HAP contract must be word for word in the form prescribed by HUD, PHAs have the discretion to add the following to Part A of the HAP contract:

- Language prohibiting the owner to collect a security deposit in excess of private market practices or in excess of amounts charged to unassisted tenants; and

- Language that defines when the housing assistance payment by the PHA is deemed received by the owner (e.g., upon mailing by the PHA or actual receipt by the owner).

Part B: Body of Contract

Part B is the body of the HAP contract. It describes in detail program requirements affecting the owner and owner roles and responsibilities under the housing choice voucher program. Most of the requirements contained in Part B of the HAP contract are explained in this guidebook chapter. Requirements in Part B related to leasing, rent reasonableness, and HQS are discussed in detail in Voucher Guidebook Chapters 8, 9, and 10, respectively.

PART B OF HAP CONTRACT: BODY OF CONTRACT
OUTLINE OF CONTENTS

Purpose
Lease of Contract Unit
Maintenance, Utilities, and Other Services
Term of HAP Contract
Provision and Payment of Utilities and Appliances
Rent to Owner: Reasonable Rent
PHA Payment to Owner
Owner Certification
Prohibition of Discrimination
Owner's Breach of HAP Contract
PHA and HUD Access to Premises and Owner's Records
Exclusion of Third Party Rights
Conflict of Interest
Assignment of the HAP Contract
Written Notices
Entire Agreement: Interpretation

Lease of Contract Unit

The HAP contract states the following: 1) the owner has leased the contract unit to a housing choice voucher program family; 2) the PHA has approved the lease; and 3) the lease includes

word-for-word all provisions of the tenancy addendum (Part C of the HAP contract). The HAP also states that it is the owner's responsibility to screen for family behavior or suitability for tenancy, and the PHA is not responsible for such screening. It also clarifies that the PHA is not liable or responsible to the owner or other persons for the family's behavior or conduct in tenancy. The HAP contract also contains the owner's certification that the lease: 1) contains all provisions of the tenancy addendum; 2) is in standard form; and 3) is consistent with state and local law.

Maintenance, Utilities, and Other Services

The owner must provide all housing services agreed to in the lease. The owner must maintain the unit and premises in accordance with HQS and supply all utilities needed to comply with HQS. If the owner fails to do this, the PHA may take action against the owner, including recovering overpayments, suspending housing assistance payments, abating or reducing housing assistance payments, and terminating housing assistance payments and the HAP contract. These actions can be taken only if the owner, and not the family, is responsible for the HQS breach. The PHA must not make any housing assistance payments to the owner if the unit is in violation of HQS, unless the owner corrects the deficiencies within the required timeframe and the PHA verifies that the corrections have been properly made. The PHA may inspect the unit and premises at any time the PHA determines necessary to ensure that the unit meets HQS. The PHA must notify the owner of any HQS deficiencies uncovered. (See Chapter 10.)

Provision and Payment for Utilities and Appliances

The lease and the HAP contract must specify what utilities and appliances are to be provided or paid by the owner or the tenant. The language contained in the lease and the HAP contract regarding payment for utilities and appliances must be consistent.

Rent to Owner: Reasonable Rent

During the HAP contract term, the rent to owner must never exceed the reasonable rent for the contract unit, as determined by the PHA. The PHA determines the reasonable rent in accordance with HUD requirements and may redetermine reasonable rent at any time. During the HAP contract term, the rent to owner may not exceed the rent charged by the owner for comparable unassisted units on the premises. The owner must give the PHA any reasonable rental information requested by the PHA. (See Chapter 9.)

Owner Certification

The HAP contract contains the owner's certification that during the term of the HAP contract:

- Owner maintains unit and premises in accordance with HQS;
- Unit is leased to the tenant;

- Lease includes the HUD tenancy addendum, is in accordance with the HAP contract and program requirements, and has been provided to the PHA;
- Rent to owner does not exceed rents charged by the owner for comparable unassisted units in the premises;
- Other than the rent to owner, the owner will not receive any payments for rental of the unit during the contract term from the family, PHA, or HUD;
- Family does not own or have any interest in the unit;
- To the owner's knowledge, the family resides in the contract unit, and the unit is its only residence;
- Owner is not a relative of any member of the family, except if approving the tenancy would provide reasonable accommodation for a family member with disabilities.

Prohibition and Discrimination

The HAP contract specifies that the owner must not discriminate against any person because of race, color, religion, sex, national origin, age, familial status, or disability in connection with the HAP contract. In addition, the owner must cooperate with the PHA and HUD in conducting equal opportunity compliance reviews and complaint investigations in connection with the HAP contract.

PHA and HUD Access to Premises and Owner Records

The owner agrees to provide the PHA and HUD with any pertinent information related to the HAP contract. The HAP contract states that the PHA, HUD and the Comptroller General of the United States have full and free access to the contract unit and the premises and to all accounts and other records of the owner that are relevant to the HAP contract. The owner must grant access to computerized or electronic records and to any computers, equipment or facilities containing such records. The owner must assist the PHA in obtaining records.

Exclusion of Third Party Rights

The HAP contract states that the family is not a party to or third party beneficiary of Part B of the HAP contract. The family, therefore, cannot enforce any provision of Part B and cannot take action against the owner or the PHA under Part B. The family may enforce and take action against the owner, however, under Part C, Tenancy Addendum, of the HAP contract.

The PHA is not responsible for or liable to any person injured as a result of the owner's action or failure to act in connection with managing the unit or premises or implementing the HAP contract. The owner is not the agent of the PHA, and the HAP contract does not create or affect any relationship between the PHA and the lender to the owner or any suppliers, employees,

contractors or subcontractors used by the owner in connection with managing the unit or promises or implementing the HAP.

Conflict of Interest

The HAP contract contains conflict of interest provisions that may prohibit some owners from participation in the program. The owner certifies and is responsible for assuring that there are no conflicts of interest related to the HAP contract or in any benefits or payments under the contract. (See Section 11.2, *Owner Approvals*, above.)

Written Notices

Any notice by the PHA or the owner in connection with the HAP contract must be in writing.

Entire Agreement: Interpretation

The HAP contract contains the entire agreement between the owner and the PHA. It must be interpreted and implemented in accordance with HUD requirements.

Part C: Tenancy Addendum

PART C OF HAP CONTRACT: TENANCY ADDENDUM OUTLINE OF CONTENTS	
Voucher Program Lease Use of Contract Unit Rent to Owner Family Payment to Owner Other Fees and Charges Maintenance, Utilities, and Other Services Termination of Tenancy by Owner	Lease: Relation to HAP Contract PHA Termination of Assistance Family Move Out Security Deposit Prohibition of Discrimination Conflict with Other Provisions of Lease Notices Definitions

The tenancy addendum sets forth the tenancy requirements for the program and the composition of the household, as approved by the PHA. The owner must sign the HUD tenancy addendum with the prospective tenant, and the tenant has the right to enforce the tenancy addendum against the owner. The terms of the tenancy addendum prevail over any other provisions of the lease.

11.6 HAP CONTRACT EXECUTION AND TIME LIMITS

Once the PHA determines that all applicable program requirements have been met, the PHA prepares the HAP contract for execution. When the process for requesting tenancy approval is completed, the PHA notifies the owner and the family of the approval or disapproval of the tenancy. If the tenancy is approved, the PHA prepares the HAP contract. To prepare the HAP contract, the PHA must compute the family rent to owner, utility reimbursement (if any), and the

housing assistance payment. The PHA also enters the amount of the security deposit collected by the owner. The family and owner execute the lease. The owner and the PHA execute the HAP contract. Generally at least two "originals" of the HAP contract are prepared with original signatures so that both the owner and the PHA have an original document in their possession.

The PHA and the owner must execute the HAP contract no later than 60 calendar days from the beginning of the lease term. The PHA must not make any housing assistance payments to the owner until the HAP contract has been executed. If the HAP contract is executed after the beginning of the lease term, the initial housing assistance payment would include the amount due to the owner for those days in which the unit was under lease and occupied but no HAP contract was signed, up to the maximum of 60 days. Any HAP contract executed after the 60-day period is void, and the PHA cannot make any housing assistance payments to the owner.

In cases where there is less than one year remaining from the beginning of the initial lease term to the end of the last expiring funding increment under the consolidated ACC, the PHA may still execute the HAP contract.

Prior to HAP contract execution, the PHA should carefully review Part A of the HAP contract to ensure that it is complete and accurate. The PHA should reconfirm the family's composition and information related to income and allowances. If significant changes have occurred, the PHA may decide to reverify and recalculate the family share. Reverification at this point is not required, and some PHAs may opt not to reverify in an effort to lease families as quickly as possible and/or to reduce staff workload. Depending on the PHA's interim reporting policy, changes could be captured at an interim or the annual reexamination.

It is important that both the family and the owner fully understand the requirements contained in the HAP contract and tenancy addendum, particularly those requirements related to their rights and responsibilities under the housing choice voucher program. Some PHAs choose to meet with the owner and family together to review the HAP contract, tenancy addendum, and owner and family obligations under the program. Other PHAs use the family briefing to explain these requirements to the family and invite new owners to an orientation to discuss their roles and responsibilities. Family obligations are fully described in Chapter 8.

It is equally important that PHA staff fully understands the provisions of the HAP contract, since the HAP contract is the binding agreement that governs the relationship between the PHA and the owner. It is also good customer service for staff to be able to explain clearly and consistently HAP contract provisions to its owners, families, and community groups.

PHAs should make a concerted effort to execute the HAP contract prior to or as close to the beginning of the lease term as possible. In order to ensure that the PHA executes HAP contracts in a timely fashion and to monitor compliance with the 60-day execution deadline, PHAs should assign responsibility to a particular staff person to monitor HAP contract execution. Exhibit 11-1, *HAP Contract Execution Log,* contains a sample log to monitor HAP contract execution.

EXHIBIT 11-1
HAP CONTRACT EXECUTION LOG

Family Name	Date Tenancy Approved	Date Contract Mailed	Date Contract Signed O/A	Date Lease Effective	Date HAP Execution by PHA	No. Days between HAP & Lease Dates	Date Data Entry

Notes:

- Depending upon the PHA's procedures the "Date Tenancy Approved" could be either the date the unit passes inspection or the date the rent is determined reasonable.
- "Date Contract Mailed" would only be needed if the owner does not sign the HAP contract in person. In this case, some PHAs require that the owner return the HAP contract within a certain deadline. Recording this date enables the PHA to monitor this potential delay in the leasing process.
- "Date Contract Signed O/A" is the date the Owner/Agent signs the HAP.
- "No Days Between HAP and Lease Dates" monitors whether or not the PHA is in danger of not meeting the requirement that the HAP be executed within 60 days of the beginning of the lease.
- "Date of Data Entry" is the date HAP information is recorded (either manually or electronically) in the HAP register. This date is important because it can help the PHA ensure that payments are processed in a timely manner.

11.7 CHANGES REQUIRING NEW HAP CONTRACT

The PHA must approve a new tenancy and execute a new HAP contract in the following cases:

- If the owner or family request a new lease;
- If there are any changes in the lease requirements governing tenant or owner responsibilities for utilities or appliances;
- If there are changes in lease provisions governing the term of lease; and

If the family moves to a new unit, even if the new unit is in the same building or complex. Changes in the lease, other than those identified above, do not necessitate the execution of a new HAP contract. The owner must notify the PHA, however, of any changes in the amount of rent to owner at least 60 days before the changes go into effect. Any such changes would be subject to rent reasonableness requirements. (See Chapter 9.)

11.8 OWNER RESPONSIBILITIES

Owner responsibilities are defined in the HAP contract, lease, and HUD regulations. The owner is responsible for the following:

- Performing all management and rental functions for the assisted unit, including selecting a voucher holder to lease the unit and deciding if the family is suitable for tenancy;
- Maintaining the unit in accordance with HQS, including performing ordinary and extraordinary maintenance;
- Complying with equal opportunity requirements;
- Preparing and furnishing to the PHA information required under the HAP;
- Collecting from the family any security deposit, the family rent to owner, and any charges for unit damage by the family;
- Enforcing tenant obligations under the lease; and
- Paying for utilities and services, unless paid for by the family under the lease.

11.9 OWNER BREACH OF HAP CONTRACT

Any of the following actions by the owner, principal, or other interested party is a breach of the HAP contract:

- Violation of any obligation under the HAP contract, including the requirement to maintain unit according to HQS;

- Violation of any obligation under any other housing choice voucher program or Section 8 project-based HAP contract;

- Fraud, bribery, false statements, or any other corrupt or criminal act in connection with the HAP contract or any federal housing program;

- For projects with HUD-insured mortgages or HUD loans, failure to comply with the applicable program regulations, the mortgage or mortgage note, or the regulatory agreement or fraud, bribery or any other corrupt or criminal act in connection with the mortgage or loan.

If the PHA determines that a breach or noncompliance of the contract has occurred, it may exercise any of its rights and remedies under the HAP contract. The PHA must notify the owner of its determination and provide in writing the reasons for the determination. The notice may require the owner to take correction action by an established deadline. The PHA may recover any overpayment, suspend housing assistance payments, abate or reduce the housing assistance payment, terminate the payment or terminate the HAP contract. The PHA may also obtain additional relief by judicial order or action, including specific performance, other injunctive relief, or order for damages.

> If a PHA determines that an owner is not entitled to the housing assistance payment or any part of it, the PHA may deduct the amount of the overpayment from any amounts due the owner, including amounts due under any other housing choice voucher program HAP contract.

The PHA must provide the owner with written notice of any termination or reduction in housing assistance payments or the termination of the HAP contract.

11.10 CHANGE IN OWNERSHIP

Owners wishing to change ownership must supply all information as requested by the PHA, and the owner must receive written consent of the PHA prior to assigning a HAP contract to a new owner. The requirements related to owner approvals also apply to changes in ownership. See Section 11.2, Owner Approvals, above.

The new owner must agree to be bound by and comply with the HAP contract. In addition, the agreement between the new owner and the former owner must be in a form the PHA accepts. The new owner must give the PHA a copy of the executed agreement.

The PHA should require that the agreement between the new owner and former owner be in writing. Oftentimes the actual sales contract will specify whether or not the assisted tenancy is to be dissolved upon change of ownership. If the assisted tenancy continues, the PHA should require that the new owner submit to the PHA a copy of its W-9 Form for tax purposes.

11.11 RECORD-KEEPING REQUIREMENTS

PHAs must maintain a manual or automated HAP register to record data necessary for making and tracking housing assistance payments made to owners each month, including any payment adjustments. Whether manual or automated, the HAP register must include:

- Name and address of family;
- Name and address of owner;
- Unit size;
- Beginning date of lease term;
- Monthly contract rent to owner;
- Monthly tenant rent;
- Monthly housing assistance payment to owner; and
- Date family vacated, and number of days unit is vacant, if any.

The PHA must keep all related bank or payment records for review by HUD staff or independent public accountants.

During the term of the assisted tenancy and for at least three years thereafter, the PHA must keep on file a copy of the HAP contract, including the tenancy addendum, and the lease. The family receives an original of the lease and copy of the tenancy addendum. The owner receives an original of the lease and HAP contract, including the tenancy addendum.

11.12 INTERNAL REVENUE SERVICE (IRS) REPORTING REQUIREMENTS

The PHA must request from the owner a copy of the owner's IRS Form W-9, Request for Taxpayer Identification Number and Certification, for IRS reporting purposes. This request usually occurs at the time of execution of the HAP contract, although some PHAs request that the owner submit this form with the request for tenancy approval. IRS Form W-9 asks for the owner's name, the business name and address, and the taxpayer identification number. The PHA uses the information obtained from the Form W-9 to report to the IRS the amount of income it has paid to owners (in the form of housing assistance payments). The PHA uses the IRS Form 1099 for this purpose.

11.13 SEMAP INDICATOR 11, PRE-CONTRACT HQS INSPECTIONS

SEMAP Indicator 11, Pre-Contract HQS Inspections, measures whether newly-leased units pass HQS inspection on or before the beginning date of the assisted lease and HAP contract. (See Chapter 10.)

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CHAPTER 12
REEXAMINATIONS

12.1 CHAPTER OVERVIEW

The PHA is required to reexamine the income and composition of housing choice voucher families at least annually. The annual reexamination determines the continued eligibility of the family and establishes the housing assistance payment (HAP) to be made on behalf of the family. The PHA *may* require families to report interim changes in family income or family circumstances as well. A family's failure to comply with PHA reexamination requirements is grounds for terminating assistance.

The PHA must establish reexamination procedures that allow for proper and timely verification of all information and advance notification to the family of any rent change.

12.2 FREQUENCY OF ANNUAL REEXAMINATIONS

The PHA must establish a policy regarding annual reexamination effective dates that ensures that reexamination for every family takes effect *within* a 12-month period. PHAs may require reexaminations more frequently when the family has seasonal or irregular income, to balance the PHA's workload, or for other good reasons.

The reexamination date may correspond with the date when other annual functions are performed (e.g., annual HQS inspections). However, this is not required.

It is recommended that PHAs choose one of the following reexamination dates:

- *The anniversary date of the HAP contract*. Most PHAs choose this as the reexamination date for administrative ease. This choice allows the effective date of changes in HAP resulting from the reexamination process to coincide with the anticipated effective date of any changes in the rent to owner.

- *Twelve (12) months from the date of initial verification.* The PHA may choose to establish reexamination cycles based upon the date of initial information verification. In this case the reexamination effective date is the first of the month following the month in which family information was initially verified. This choice allows the PHA to issue new housing choice vouchers to families who move at the anniversary date without necessarily having to conduct a reexamination at that time.

12.3 MONITORING

It is important that the PHA has tracking and monitoring procedures and systems in place to ensure that the required reexaminations for each assisted family are initiated and completed on time.

The PHA's plan for reexaminations should provide for supervisory monitoring of the timely initiation of the reexamination process, the progress of each reexamination, and its completion. Computer software programs customized for the housing choice voucher program should be able to identify reexaminations due and monitor PHA monthly reexamination activity through computer-generated reports. The software should allow for reporting on various date-driven fields. At a minimum, the dates tracked for each family should include:

- Lease and HAP contract effective date
- Reexamination effective date
- Initial reexamination notification date
- Second notice date
- Termination notice date
- Notice of rent adjustment date
- Date of the next annual reexamination

Computer software should be able to provide audit reports identifying annual reexaminations that have not been completed.

In lieu of computer generated reports, many PHAs maintain manual reexamination activity or progress logs. These logs are used to assist staff in managing the on-time completion of the reexamination process.

12.4 REEXAMINATION PROCEDURES

Notification to Participant that the Annual Reexamination is Due

The PHA should initiate reexamination procedures 90 to 120 days before the date reexamination results are to take effect. This allows the PHA ample time to obtain all required verifications and provide reasonable advance notice to both the family and the property owner of any change in the family share and HAP.

Most PHAs require families to complete the reexamination in person. Families are notified in writing of the date of the reexamination appointment, the location of the appointment, and what they are required to bring to the interview. The notification letter generally directs the family to request another appointment if there is a scheduling conflict. Some PHAs complete reexaminations by mail, scheduling appointments only if there is no response to the mailed reexamination request or the documentation returned to the PHA is incomplete. Another option is do both in-person and mail reexaminations depending upon circumstances. For example, a PHA's procedures might call for mail reexaminations only for elderly participants and participants with disabilities with a straightforward income and allowance profile or those who may have difficulty keeping interview appointments. Alternatively, the PHA may conduct "in-

home" reexamination interviews for the elderly and for families in which the head of household is a person with disabilities.

If the assisted family head of household does not respond to the reexamination notification, the PHA usually mails a second notice. The second notice is more forceful in nature. The notice reminds the family that the annual reexamination is a family obligation and that failure to complete a reexamination could result in termination from the program. The notice contains instructions on what the participant must do to comply. (Samples of both initial notice and second notice letters are provided in Appendix 12-1 and 12-2.)

If the assisted family does not respond to the second notice, the PHA must send a termination notice to both the family and the owner. This notice advises the family that assistance will be terminated and states the effective date of the termination and the reason. This termination notice must also inform the participant of his or her right to a hearing (see Chapter 16). (A sample termination notice is provided in Appendix 12-3.)

Reexamination Documents

The following are standard forms used by PHAs when completing reexaminations:

Application for Continued Occupancy. Developed by the PHA, this is the document that records all updated information reported by the family. It generally contains sections for household composition, student/disability status of household members, income and assets, medical and disability expenses, and rent calculation. While HUD does not require that this form be used, it is recommended as an organized way to record family information. PHA staff often use it as an interview tool. The participant and PHA signatures on the form serve as certifications of the information collected (see sample, Exhibit 12-4).

Form HUD-50058, Family Report. This is a HUD required form on which PHAs record pertinent family, demographic and program information. PHAs must transmit this form electronically to HUD's Multifamily Tenant Characteristics System (MTCS) database. The completed form HUD-50058 is the PHA's official notice to HUD of the terms of the contract for each family.

Form HUD-9886, Authorization for Release of Information/Privacy Act Notice. This is a HUD-required consent form authorizing HUD and the PHA to request information from third parties to verify a household's eligibility for assistance and factors affecting the rent calculation or the family's selection preference. Each member of the household age 18 and older must sign the form at every annual reexamination as a condition of continued assistance. PHA use of the form is restricted as described in the accompanying instructions. The signed form is valid for a period of 15 months from the date of the signature.

Verification forms. Developed by the PHA, these forms are used to obtain income, expense and other information directly from third parties (e.g., employers, benefit providers).

Copies of completed forms for each family should be provided to the family and retained in the tenant's file.

Third Party Verifications

At the annual reexamination, PHAs use the same procedures for obtaining and verifying information that were used at admission (see Chapter 5). Verification obtained at reexamination must be no more than 120 days old on the effective date.

The PHA must obtain and document in the tenant file third party verification of the following specific items:

- Reported family annual income;
- The cash value of assets and income derived from assets;
- Expenses related to deductions from annual income; and
- Any other factors that affect the calculation of adjusted income.

VERIFICATION METHODS

Three methods of verification are acceptable for the tenant file to be properly documented. In order of acceptability they are:

- *Third Party:* Written (provided directly to the PHA by the source and not hand-carried by the family) or oral (direct contact by PHA with a reliable source).
- *Review of Documents*: Original documents provided by family, viewed by PHA staff, copied and placed in the tenant file.
- *Family certification or notarized statement*: Written statement signed by the family certifying that the information provided is complete and correct.
- When the preferred verification form is not successful and staff resort to the second or third alternative, staff must record in the tenant file efforts to obtain preferred forms of verification and the reason an alternative method was used.

If third party verification is not received in a timely fashion, the PHA should choose an acceptable alternate form of verification and document the effort made by the PHA to obtain third party verification.

Some PHAs allow families to submit current award letters for Social Security, Supplemental Security Income (SSI), or Transitional Assistance for Needy Families (TANF), if the PHA has attempted and been unsuccessful in obtaining a response to the income verification request.

Verification of Social Security Numbers (SSN). Each family member, regardless of age, must submit to the PHA evidence of a valid SSN or a certification that an SSN has not been assigned. This submission needs to occur only once during continuously assisted occupancy. However, the PHA should review the file at each reexamination to assure that the required documentation is present. When a new family member moves into an assisted unit, the required SSN evidence must be submitted at the first reexamination following occupancy.

Verification of Citizenship/Alien Status. Each member of the assisted family, regardless of age, must certify citizenship or eligible immigration status at least once during continuously assisted occupancy. Documentation of eligible immigration status must be obtained, verification through the INS must be completed, and the documentation must be maintained in the tenant file. If new members join the household, the certification/verification process must be completed when the change in household composition is reported. The PHA should review the file at each reexamination to assure that this documentation is present. The PHA must apply all procedures in a uniform manner. No applicant or resident may be asked for additional information based on the personal characteristics of the family member.

Calculation of Total Tenant Payment and Housing Assistance Payment

The calculation of the total tenant payment (TTP) and the housing assistance payment (HAP) for the reexamination is completed following the same procedures as those used for the initial eligibility determination (see Chapter 5). The PHA should enter updated information regarding the family's composition, income, assets, and deductions on a family information form, and complete a form HUD-50058.

Assisted families are not required to demonstrate income eligibility at the time of reexamination.

When completing a reexamination, PHAs must carefully consider the following:

- Changes in income, assets, and family composition and circumstances, especially significant changes, should be evaluated and the family should provide an explanation if there appear to be discrepancies with past information or other current information.

- Changes in family composition may require the family to move to a larger or smaller unit (see Chapters 5, 7 and 10).

- The HAP calculation must use the correct payment standard for the family and for the appropriate size unit and area.

- The HAP calculation must reflect any changes in the utility arrangement or in the PHA's utility allowance schedule.

- Rent increases requested by owners must be processed (see Section 12.5).

Notification of Annual Reexamination Results

The PHA must notify the family and the owner of the results of the annual reexamination in writing. Generally:

- *Decreases* in the family's share of the rent are effective on the first day of the month following the change.
- *Increases* are effective on the first day of the month after reasonable advance notice to the family. Reasonable notice is generally assumed to be at least 30 days from the first of the month.

The notice should inform the family and the owner of the following:

- The amount and effective date of the new HAP;
- The amount and effective date of the new family share of the rent; and
- The amount and effective date of the new rent to owner.

If the TTP increases as a result of the reexamination, the assisted family must be given the opportunity for an informal hearing (see Chapter 16).

If owner or family agrees to a new lease, a new HAP contract and tenancy addendum must be executed.

Families Ineligible for Continued Assistance

If the annual reexamination results in a zero HAP, the family may continue as a program participant for six months from the date of the reexamination effective date. During that period the HAP contract between the PHA and the owner remains in effect. If the family circumstances change during the six month period and the family again needs assistance, the PHA conducts an interim reexamination and reinstates assistance. At the end of six months, if the subsidy has not been restored, the HAP contract will terminate. The PHA must provide the family and the owners at least 30 days advance notification of the proposed termination and an opportunity to request an informal hearing.

Applying a Different Payment Standard

The PHA must apply a new payment standard at the annual reexamination if any of the following events occur:

- If the PHA has increased the payment standard applicable to the family or area, it must use the increased payment standard.

- If the PHA has adopted new subsidy standards, the payment standard for the appropriate unit size under the PHA's new subsidy standard is used if the family moves. If the family does not move, the payment standard for the new subsidy standards applies only if it is higher than the family's previous payment standard. If the payment standard for the appropriate unit size under the PHA's new subsidy standard is lower than the family's previous payment standard, the payment standard for the new subsidy standards applies at the effective date of the family's second regular reexamination following the effective date of the decrease in the payment standard amount.

- If the family's size or composition changes, the payment standard for the appropriate unit size is used.

APPLYING A REVISED PAYMENT STANDARD AT ANNUAL REEXAMINATION

Main Street Housing Authority has increased its two-bedroom payment standard from $650 to $690. At their annual reexamination, the subsidy for Aaron and Anna Maples' two-bedroom unit will be increased to reflect the new payment standard.

Old payment standard	$650	New payment standard	$690
Old TTP	320	New TTP	390
Old HAP	$330	New HAP	$300

(Because the Maples' income—and TTP—increased, the HAP has actually decreased. If the Maples' income and TTP had stayed the same, the HAP would have increased to $370.)

APPLYING THE PAYMENT STANDARD FOR A NEW SUBSIDY STANDARD

The Sample Housing Authority changed its subsidy standard to permit separate bedrooms for adults of the same sex. (Previously SHA had required any two people of the same sex to share a bedroom.)

The elderly Sample sisters shared a two-bedroom apartment with their one bedroom voucher under the SHA's previous subsidy standard. At the time of the Sample sister's reexamination, SHA will increase the Sample's voucher size to two bedrooms and will pay subsidy based on a two-bedroom voucher for a two-bedroom unit.

John and Joshua Blue, elderly brothers who share a one-bedroom unit with their one-bedroom voucher, will also receive a two-bedroom voucher at reexamination. However, unless they decide to move to a two-bedroom unit, their subsidy will continue to be based on the one-bedroom payment standard since the HAP is always based on the lower of the voucher size or the size of the actual unit.

See Chapter 7 for a complete discussion of payment standards.

12.5 INCREASES IN RENT TO OWNER

An owner may increase the unit rent any time an increase is allowed under the terms of the lease. The owner must give the PHA at least 60 days advance notice of any changes in the amount of rent to the owner.

The allowed rent increase is the *lesser* of the following:

- The reasonable rent as determined by the PHA (see Chapter 9); or
- The amount requested by the owner.

TIPS FOR ACHIEVING REEXAMINATION GOALS

- Know the reexamination schedule for the entire year and update it regularly.
- Begin the reexamination process on time to avoid missed deadlines.
- Allocate adequate staff and other resources for the volume of reexaminations due.
- Prepare written procedures governing the reexamination process and enforce their use.
- Assign clear staff responsibility for completing reexaminations and supervising work. Train staff members and hold them accountable for on-time completion.
- Develop tracking systems that document every stage of the reexamination process. These systems may be manual (e.g., handwritten logs) or automated (spreadsheets or software programs).
- Develop a reporting system (manual or automated) that summarizes activities and outcomes on a monthly or more frequent basis. Share outcomes with staff.
- Do not allow delayed responses from third parties to prevent timely verification of information. Use other permissible verification methods without delay.
- Perform regular quality control reviews of completed reexaminations consistent with SEMAP requirements.
- Implement employee recognition and reward programs to encourage good performance.
- Regularly evaluate success and consider changes to systems, policies, procedures and staff training programs that might improve PHA performance.

12.6 INTERIM REEXAMINATION

Interim Reporting Policies

PHAs must develop their own interim reporting requirements, which must be stated in the administrative plan and the briefing materials. The policy must include:

- Clear guidance on when (how soon after the change occurs) and under what circumstances the family must report a change in family income or composition; and
- Rules on effective dates of any changes in the HAP resulting from an interim reexamination.

While HUD allows PHAs to develop their own interim reexamination policies, HUD requires that these policies:

- Require participants to report changes in family composition;
- Require PHAs to process interim reexaminations when a family reports a reduction in income; and
- Prohibit processing of an interim reexamination when the family reports a loss of welfare benefits due to fraud or a failure to participate in self-sufficiency or work activity.

PHAs may require a family to report some, all, or none of the changes in income or expenses that would result in a rent increase. If only certain changes must be reported, the PHA policy should state that no action would be taken if a family reports changes it is not required to report.

INTERIM REPORTING POLICY

A family reports an increase in Social Security benefits and part-time earnings of a previously unemployed household member. The PHA's policy requires that increases in earnings be reported on an interim basis, but not Social Security increases, which are reported only at annual reexamination. The PHA's policy should state that the Social Security increase in this example would not be used in calculating the new TTP at the interim reexamination.

When deciding the type of changes families should be required to report on an interim basis, the PHA should:

- Consider the administrative costs of processing interim increases in income versus the cost savings if the HAP is reduced;
- Concentrate on the type of interim changes that are most likely to result in large increases in a family's share of the rent (and a corresponding large reduction in subsidy); and,

- Develop a policy that can be easily explained and understood by participants as well as staff who must enforce it.

PHAs must apply interim reporting rules uniformly to all families. Verification rules are the same as those used for annual reexaminations, except only those factors that changed will need to be verified at an interim reexamination.

A family's failure to abide by a PHAs interim reporting requirements is cause for termination of assistance.

Notification Requirements

Families and owners must be notified in writing of interim reexamination results and the effective date of the change in HAP and family share of the rent. Generally:

- Decreases in the family share of the rent are effective on the first day of the month following the date of the reported change. At the PHA's policy discretion, if the family failed to report the change as required, the notice may or may not be effective retroactively.

- Increases are effective on the first day of the month after giving reasonable written notice. (At the PHA's policy discretion, if the family failed to abide by reporting requirements, the notice may or may not include a demand for repayment of excess assistance received for prior months.)

The notification to the family must advise the family of the opportunity for an informal hearing.

12.6 RELATED SEMAP INDICATORS

SEMAP Indicator 9 requires that annual reexaminations take effect at intervals not exceeding 12 months, allowing an additional two months for electronic reporting to HUD of the annual reexamination form HUD-50058, and processing of the data into MTCS.

The SEMAP ratings for this indicator are:

- If fewer than five percent of all PHA annual reexaminations are no more than two months overdue, the PHA will receive 10 points;

- If five to 10 percent are more than two months overdue, the PHA will receive five points; and

- If more than 10 percent are more than two months overdue, the PHA will receive zero points.

SEMAP Indicator 3, Determination of Adjusted Income, measures whether, at admission and during annual reexamination, the PHA verifies and correctly determines adjusted annual income for each assisted family. The indicator also measures whether the PHA uses the appropriate utility allowances when determining gross rent for the unit when the family is responsible for utilities under the lease.

The PHA must conduct a quality control review of tenant files from new admissions and annual reexaminations to support its certification of performance under this indicator.

The SEMAP ratings for this indicator are:

- The maximum points a PHA can receive for Indicator 3 is 20 points.

- The PHA will receive 20 points if the PHA's SEMAP certification indicates, based on its quality control review of tenant files, that for at least 90 percent of families the following statements are true:

  - The PHA obtains third party, written verification from independent sources of all factors affecting the determination of adjusted income, including family income, assets totaling more than $5,000 and expenses related to income and deductions. The PHA uses the verified information to determine adjusted income or documents the tenant files to indicate why independent verification is not possible.

  - The PHA properly attributes and calculates allowances for any medical, child care, and disability assistance expenses; and

  - The PHA uses the appropriate utility allowances to determine gross rent for the unit leased.

- The PHA receives 15 points if the PHA's SEMAP certification form indicates the statements above, except that the PHA obtains and uses third party verification, properly attributes allowance, and uses the appropriate utility allowances for only 80-89 percent of families.

- The PHA receives zero points for this indicator if the PHA's SEMAP certification form does not support the statements above.

EXHIBIT 12-1

SAMPLE

NOTICE TO PARTICIPANT THAT THE ANNUAL REEXAMINATION IS DUE

Date_____ Participant Name:_____

To: Housing Voucher #: _____

_____ Review Month:_____

_____

_____

Dear Participant:

Federal regulations require that all families participating in the housing choice voucher program report their income and family composition at least once every year. **THIS IS TO INFORM YOU THAN AN APPOINTMENT HAS BEEN SCHEDULED FOR YOU ON _____ IN ORDER TO COMPLETE YOUR ANNUAL REEXAMINATION.**

Your appointment will be held at _____. Please complete the attached documents before coming to your appointment. Make sure that you sign and date all forms.

In addition, please bring income verification for all family members and information regarding bank accounts and other assets. Any documents used to verify income and/or assets must be original documents and must be dated after the date of this letter. Examples of income/asset verification are listed on the 2nd page of this letter.

If you have any questions, please contact _____, your housing specialist, at _____.

If you are 62 years of age or older or a person with disabilities and require special assistance to complete your annual reexamination, please contact your housing specialist and arrangements will be made to accommodate your needs. ***Please be advised that if you fail to keep this appointment your housing choice voucher assistance may be terminated.***

Sincerely,

Housing Specialist

Page 1 of 2

SAMPLE

NOTICE TO PARTICIPANT THAT THE ANNUAL REEXAMINATION IS DUE (CONT'D)

Public Aid, caseworker's computer printed statement or cancellation letter;

Employment Verification, three current consecutive check stubs (last one no more than 60 days from date of your certification/recertification appointment) with year to date earnings or letter from employer including fax number;

Unemployment, original award letter from Unemployment Compensation and current stub or exhaust letter;

Child Support/Alimony, notarized letter from the provider, and/or court order;

DCFS, statement of income, name and telephone number of caseworker.

Pension/Annuity, award letter including fax number and copy of current check (last one no more than 60 days from date of your certification/recertification appointment);

SSI/Social Security Benefits, award letter and current statement from the Social Security Administration;

Bank Accounts/Assets (saving, checking, stocks, bonds, property, IRA's mutual funds, annuities, trust, inheritances, settlements) two most recent monthly statements or letters from bank stating current balance and annual interest rate or bank/pass book;

Original Social Security Cards and Birth Certificates, also, please bring in any of the following verification that applies to your family;

Full-time Student Status, (for students 18 years or older), current letter from the registrar or admissions officer;

Medical Deduction (for households in which the head or spouse is at least 62 or a person with disabilities), printout from pharmacy or receipts for medications and/or medical visits anticipated to be paid by you within then next 12 months.

Child Care, provider's name, address, and Social Security Number/I.D. Number and phone number.

If you will claim no income, you must bring verification of loss of all income sources previously counted.

If you have any questions, please contact your Housing Specialist.

EXHIBIT 12-2

SAMPLE

SECOND NOTICE TO PARTICIPANT THAT THE ANNUAL REEXAMINATION IS DUE

DATE:_____

TO: _____

_____

_____

Dear _____:

On _____, I sent you a letter dated _____ scheduling an annual reexamination appointment. You failed to keep the appointment and we have had no contact with you regarding that appointment.

I have scheduled a second appointment for you on _____ at _____. Please bring your income verification for all family members and information regarding bank accounts and other assets. Any documents used to verify income and/or assets must be original documents and must be dated after the date of this letter. Examples of income/assets are attached.

If you do not attend this appointment or if I do not hear from you within thirty (30) days of the date of this letter, I will assume that you are no longer interested in participating in the housing choice voucher program and your housing assistance will be terminated.

Please contact _____ at_____ extension _____ if you have any questions.

Sincerely,

Housing Specialist

EXHIBIT 12-3

SAMPLE

INTENT TO TERMINATE NOTICE

DATE:_____

TO: _____ Housing Choice Voucher # _____

_____

_____

Dear _____:

This is to advise you that effective _____, _____ intends to terminate your participation in the housing choice voucher program. This means that you will no longer receive assistance in your current unit or in any future units.

This action is taking place because:

_____

_____

As required by HUD guidelines, you have the right to request an informal hearing regarding this decision. Your written request for a hearing must be received by this office within thirty (30) days from the date of this letter. You can mail or deliver your written hearing request to: _____ _____. ***Please indicate: Your name, housing voucher #, current address and a brief statement of the reason(s) for requesting an informal hearing.***

If you have any questions, please contact _____ at extension_____.

Sincerely,

EXHIBIT 12-4

APPLICATION FOR CONTINUED OCCUPANCY

Family Head _____ Contact Person _____

Address _____ Telephone No. _____

Telephone No. _____

STATEMENT OF FAMILY COMPOSITION AND INCOME

List all persons presently living in your unit: (Use the back of this sheet if necessary)

Full Name	Social Security Number	Date of Birth	Age	Sex	Relationship to Head
1.					**HEAD**
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					

List all persons who moved out during the past 12 months (include deaths, marriages, permanent placement in nursing home, etc.)

Full Name	Relationship	Out	Date	Reason
1.				
2.				

Fill in these blanks for you or each person in your unit who is working.

Worker	Employer's Name & Address	Dates Worked	Pay Rates
1.		From: To:	$ Per
2.		From: To:	$ Per

If you or any person in your unit receives income from any of the following sources check the source(s) and fill in the blanks.

☐ Welfare Assistance ☐ Retirement/Pension ☐ Supplemental Security Income (SSI)
☐ Unemployment Compensation ☐ VA Benefits ☐ Child Support ☐ Social Security ☐ Other

Received by (Name)	Received From (Source)	Amount
		$ Per
		$ Per
		$ Per

Do you or any member of your family have the following assets?

Savings/Checking Account (give name of bank) attach bank statement	Stocks or Bonds (List by company)	Cash Value of Insurance Policy	Property

****ALL REPORTED INCOME MUST BE DOCUMENTED**

I/We certify that the information given to the _____ Housing Authority on household composition, income, net family assets, allowances and deductions is accurate and complete to the best of my/our knowledge and belief. I/We understand that giving false statements or information can be grounds for punishment under federal and state laws. I/We also understand that giving false statements or information can be grounds for termination of housing assistance.

HEAD _____ DATE _____ SPOUSE _____ DATE _____

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CHAPTER 13
PORTABILITY

13.1 CHAPTER OVERVIEW

An eligible family that has been issued a housing choice voucher may use that voucher to lease a unit anywhere in the United States where there is a housing agency operating a housing choice voucher program. This feature of the program is referred to as portability. This chapter describes eligible families and the procedures for moving from one jurisdiction to another using portability.

The PHA that issues the voucher to a portable family that wants to move to a different jurisdiction is referred to as the "initial" PHA. The PHA in the jurisdiction to which the family wishes to relocate is called the "receiving" PHA. This chapter describes the responsibilities of the initial PHA and the receiving PHA and the policies of the initial and receiving PHAs that apply to the family.

13.2 PROVIDING THE FAMILY INFORMATION ABOUT PORTABILITY

PHAs are required to inform families about portability. The oral presentation at each voucher briefing must include information about where a family may lease including information about portability. The briefing packet provided to families also must include information about portability opportunities and procedures.

PHAs are expected to describe the portability choices that may help families move to neighborhoods, including those in nearby jurisdictions, with lower poverty and minority concentrations and nearby job opportunities.

The PHA should use maps to illustrate areas where there are housing opportunities outside areas of poverty and minority concentration. These areas should include areas beyond the PHA's jurisdiction when housing opportunities in other jurisdictions may provide good alternatives to impacted neighborhoods. The briefing packet should include a list of the PHAs in all of the neighboring jurisdictions with the name, address, and telephone of the portability contact person at each agency.

During the briefing, the PHA can communicate the possible advantages and some of the challenges of portability.

The PHA may want to emphasize the flexibility that portability provides for those who need to relocate with assistance to follow job opportunities in a new location, select the best school districts, or be near family members or child care providers. In this way, portability allows a family with housing subsidies the same choices available to others in the community.

However, families may also need to think about some of the possible difficulties they could encounter in moving to a new location. A family moving to a distant location, who has vacated

one unit before locating a new one, could find a tight housing market with few available units and end up with no assistance if the term of the portable voucher expires before the family locates a new home.

Families should also be aware that the portability procedures at the receiving PHA could be different from those at the initial PHA. It will be important to remind them that they need to seek information and pay close attention to portability requirements at both PHAs.

For participant families already leased with vouchers but wanting to move to a new unit, some PHAs hold monthly "moves" briefings and pay particular attention to portability procedures and the issues relevant to families moving out of the jurisdiction.

13.3 DETERMINING FAMILY ELIGIBILITY

Program Requirements for Families New to the Housing Voucher Program

A family that has not yet leased a unit under the housing choice voucher program is eligible for portability if the head of household or spouse was a resident of the PHA's jurisdiction at the time the application for assistance was submitted. A "resident", for the purpose of determining eligibility for portability, is a person who has a legal domicile in the jurisdiction.

> VERIFYING RESIDENCY
>
> The initial PHA will need documentation that the household was a resident at the time of application. A lease, school records, a voter registration or similar records are acceptable forms of documentation.

A non-resident family may be required to initially lease a unit with its housing choice voucher in the issuing PHA's jurisdiction. However, the initial PHA has the authority but no obligation to allow a new voucher holder that was not living in its jurisdiction at the time of application to exercise portability. The initial PHA may decide to allow portability for a family new to its jurisdiction in certain instances, such as when the move would respond to a special family need but not allow such moves in other instances. It is important for the PHA to document the reasons for discretionary decisions to avoid any perception of discrimination.

A regular admissions family exercising portability when it uses its voucher for the first time must be within the application income limits for the jurisdiction in which the family initially leases a unit. If the family is issued a voucher under a special admission, the income limits dictating eligibility for the special admission voucher are applicable for the jurisdiction in which the family initially leases a unit.

Program Requirements for Participant Families

A participant family electing to move to another jurisdiction with its voucher is eligible to do so but only when the family is able to move out of its current program unit under the terms of the family's lease. A family is not eligible for portability if the family has moved out of its assisted unit in violation of the lease.

When a participant family chooses to move using portability, the initial PHA should review the family's lease to determine the termination provisions and the length of notice required. The PHA should review a copy of the family's written notice to the owner of its intention to vacate. If the owner has agreed to an early lease termination, the PHA may require a written statement from the owner.

Income limits do not affect the eligibility of a participant family exercising portability; however, the family's TTP must be less than the payment standard at the receiving PHA for the family to lease within that PHA's jurisdiction.

13.4 Initial PHA Responsibilities

The initial PHA determines eligibility for the housing choice voucher program based on its admission policies. The family is expected to initiate the portability process by informing the initial PHA of its interest in moving to another jurisdiction (porting out).

After the family announces its interest in portability, the initial PHA must provide the family with information to help it contact the PHA in the jurisdiction where the family wishes to live. If this will be the family's first lease under the housing choice voucher program, the initial PHA must also compare the family's income to the applicable-income limit (typically the very low-income limit) for the community where the family wants to move and determine if the family will be able to lease up in that jurisdiction. Addresses and telephone numbers for PHAs around the country are available on HUD's web site: www.hud.gov. Income limits are available at www.huduser.org.

The initial PHA must: 1) contact the receiving PHA to alert that agency to expect the family; and 2) send the receiving PHA a completed form HUD-52665, Family Portability Information form. The portability information form has two parts: Part I is completed by the initial PHA and Part II by the receiving PHA. Copies of the family's voucher, the current form HUD-50058 and supporting income verifications must be attached to the portability form. The receiving PHA may request but not require additional information. The PHA may transmit these documents by facsimile machine. The PHA initiating the transmittal maintains copies of all documents.

Selecting the receiving PHA: When there is more than one PHA administering a housing choice voucher program within the jurisdiction where the portable families wants to move, the initial PHA has the authority to select the receiving PHA.

Providing more than the required information: when transmitting the form HUD-52665: Although not required, it may be helpful to the family, the receiving PHA, and the initial PHA to provide INS verification of citizenship and information from a criminal background check to the receiving PHA. Providing this information will require disclosure to the family. Some states limit what information from a criminal background check may be shared.

SELECTING THE RECEIVING HOUSING AUTHORITY

When there are two or more PHAs operating within the jurisdiction where the portable family wishes to lease, the initial PHA will want to select the PHA that will provide the best and speediest service to both the family and the initial PHA. Many PHAs are familiar with the operations at PHAs in neighboring jurisdictions and staff can make a selection easily. However, when a family moves further away, staff may have no information about the efficiency of an agency's portability procedures. To obtain useful information, staff may contact the local HUD field office or staff at other PHAs in the region.

The initial PHA may also want to know the policies relevant to absorbing or administering portable families at the possible receiving PHAs. If the initial PHA is concerned about its utilization rate, it may wish to select a receiving PHA that will bill the initial PHA. On the other hand, if the new jurisdiction is distant from the initial jurisdiction, or the PHA prefers to avoid billing procedures, a PHA that elects to absorb might be preferable.

Monitoring families searching in other communities: It is helpful to know the number and status of families searching in other communities who may eventually lease up. Exhibit 13-1, *Outgoing Portability* is a processing log for tracking families searching elsewhere. The log can be maintained manually or electronically. The suggested format includes information about procedures completed by both the initial and the receiving PHAs. The log provides the following:

- Participant name
- The initial PHA's housing voucher expiration date
- Receiving PHA's name, address, telephone, and fax numbers
- Date forms HUD-50058 and HUD-52665 were sent to the receiving PHA
- The date six months after the housing voucher issuance, when the receiving PHA must absorb the family if it has not billed for the family
- Date the form HUD-52665 is received informing the initial PHA that the family has leased a unit

POLICIES APPLICABLE UNDER PORTABILITY

Applicable Initial PHA Policies

- Applicant selection and admission policies

Applicable Receiving PHA Policies

- Income limit applicable to any family executing its first lease under the voucher program (typically the very low-income limit)
- Voucher payment standards
- Subsidy standards
- Extensions available for searchers
- Suspension of voucher term after submission of request for tenancy approval
- Policies and procedures related to annual and ongoing functions

- Indication whether the receiving PHA has decided to absorb or administer the family's subsidy

- The date—or a check mark—indicating that the family's portability effort has come to a conclusion. Receipt of the form HUD-52665, indicating that the family has leased and the billing has begun, or information that the receiving PHA will absorb the family, or expiration of the housing voucher term and any extensions without a lease would all result in a conclusion of the need to track the family's portability.

13.5 RECEIVING PHA RESPONSIBILITIES

When the family arrives at the receiving PHA's office, the receiving PHA issues the family a housing choice voucher to enable the family to search in its jurisdiction. The housing choice voucher the receiving PHA issues may not expire before the expiration date established by the initial PHA. For extensions to the housing choice voucher term and the processing of requests for tenancy approval, however, the receiving PHA's policies apply. In addition, the receiving PHA uses its own policies to determine the appropriate unit size for a family moving into its jurisdiction.

The receiving PHA must inform the initial PHA immediately whether it will absorb or administer the family's housing choice voucher assistance and if it approves an extension to the voucher term or changes the unit size of the family's voucher.

The receiving PHA's payment standards are used when the portable family leases a unit. The family will need to be informed of the receiving PHA's policies and payment standards before it begins its search.

Decision to Absorb or Administer

The receiving PHA has the option to *administer* the subsidy for the initial PHA or to *absorb* the portable family into its own housing choice voucher program.

If the receiving PHA decides to administer the initial PHA's housing choice voucher assistance, the housing assistance for the portable family comes from the initial PHA's housing choice voucher allocation. The receiving PHA bills the initial PHA for the full housing assistance payment for the family's unit and for 80 percent of the ongoing administrative fee earned by the initial PHA for that unit.

MAKING THE DECISION TO ADMINISTER OR ABSORB

The receiving PHA has the authority to decide whether it will administer or absorb an incoming portable family. The PHA can vary its decision to respond to changing local situations.

The factors a receiving PHA may want to consider in making the decision to administer or absorb include:

- Leasing rate. If the receiving PHA has a low utilization rate, absorbing incoming portable families will increase the utilization rate. If the receiving PHA has a high utilization rate, it may prefer to use its own housing assistance funds to serve families on its waiting list.
- The administrative cost of billing. For the receiving PHA, absorbing is generally the most cost-effective approach.
- Proximity of the initial PHA. Some PHAs routinely bill for vouchers from nearby agencies with whom they have established relationships, but prefer to absorb families moving from locations where staff have not previously worked with the PHA.
- Economy in numbers. Some PHAs choose to absorb families from locations from which they receive few incoming portability families in order to reduce the number of PHAs they must bill.

If the receiving PHA decides to absorb the portable family, funds from the receiving PHA's consolidated ACC pay for the family's housing assistance. The initial PHA is free to reissue the voucher in cases where the receiving PHA has absorbed the family.

A PHA that decides to administer a housing voucher may change that decision and decide to absorb at any time in the future. Many agencies, having opted to administer housing vouchers during a time when leasing rates were high and local sentiment favored using housing assistance funds for families from the local waiting list, reversed those decisions when housing markets tightened, leasing rates slowed and PHAs faced low utilization rates and low SEMAP scores. It is not necessary to wait for a recertification or other anniversary date to absorb an administered voucher.

COOPERATIVE AGREEMENTS

Sometimes, PHAs in abutting jurisdictions make cooperative portability agreements. In locations where movement is in both directions, these agreements may consist of semi-annual reviews of portability contracts that result in each PHA absorbing an equal number of HAP contracts. The remaining vouchers, which represent the imbalance in movement, will continue to be administered.

The receiving PHA must promptly inform the initial PHA whether it will bill the initial PHA for assistance on behalf of the portable family or will absorb the family into its own program.

When a new voucher holder leases up under portability, the receiving PHA's decision whether to administer the subsidy or absorb the family will determine which PHA counts the family for income targeting purposes. If the receiving PHA bills the initial PHA, the family will be included in the initial PHA's income targeting calculations; if the receiving PHA absorbs, it will include the family in its admissions when calculating the percentage of extremely low-income families.

Monitoring Families Moving Into the PHA's Jurisdiction

Although not required, it is helpful to track each of the families currently conducting a housing search within the receiving PHA's jurisdiction. Exhibit 13-2, *Incoming Portability* is a processing log for families moving into the PHA's jurisdiction. Using a log allows the supervisor to establish accountability for ensuring that procedures are completed and the initial PHA notified before deadlines have passed. The log can be maintained manually or electronically. The log tracks the following information and activities:

- Participant name;
- Date housing voucher or extension expires;
- Date (or check) form HUD-50058 and form HUD-52665 received from initial PHA;
- Date Request for Tenancy Approval received;
- Date HAP executed;
- Name of initial PHA;
- Date six months after initial voucher was issued;
- Date form HUD-52665 or notice that family failed to lease sent to initial PHA; and
- Date that all tasks are complete.

Using a processing log in combination with monthly monitoring by the supervisor will provide staff with the information about what has been completed, what remains to be done, and where priority needs to be placed.

The Family's Search

The family's search for housing in the receiving PHA's jurisdiction is governed by the receiving PHA's policies. The receiving PHA issues a housing choice voucher of the size based on its own subsidy standards. Procedures relating to submitting the request for tenancy approval, obtaining an inspection and leasing a unit are all in accord with the receiving PHA's policies. The term of the housing choice voucher issued by the receiving PHA cannot expire before the date on the housing choice voucher issued by the initial PHA but may be later. The receiving PHA may also issue extensions based on its own policy and practices regardless of the initial PHA's policies.

The receiving PHA may require the family to participate in a briefing and cooperate in a reexamination of income but may not unduly delay the family's housing search. It would not be reasonable, for example, to require the family to wait for a monthly briefing that was not scheduled for another three weeks. The receiving PHA may delay leasing activities only to receive verification of information related to income eligibility.

If the family locates and leases a unit, the receiving PHA must complete form HUD-52665 and send it to the initial PHA with the form HUD-50058 within ten days. When the portable family has been searching while still under HAP contract in its initial jurisdiction it is especially important that this communication take place within the required ten days to be sure the current HAP with the initial PHA is terminated at the appropriate time.

Unless the family is absorbed by the receiving PHA, the receiving PHA will report the family's lease-up information to HUD's Multifamily Tenant Characteristic's System (MTCS) as a "port-in". The initial PHA will report the family to MTCS as a port-out. If the family has been absorbed, the initial PHA reports the family to MTCS as a move-out; the receiving PHA reports the family as a new admission.

It is always essential for the receiving PHA to notify the initial PHA at the earliest possible date of any activity related to the family's search. If the family's housing choice voucher expires without the family leasing a unit, the initial PHA needs to know. The example of a family still under lease in the initial jurisdiction is again a good case in point: the initial PHA needs the information if payments to the current landlord should be continued.

Occasionally, a family from one jurisdiction, searches in a second, and decides to try to move to a third jurisdiction. Shopping around from one jurisdiction to another presents no problem if paperwork flows properly. It is important that the family understands that the PHA that issued its first housing voucher will continue to be the initial PHA. It is also important that the initial PHA be informed of the family's decisions and activities. The receiving PHA may contact the initial PHA and, with permission, forward the original portability packet to a "new" receiving PHA; or the family may return to the initial PHA to be "forwarded" to a second receiving PHA. The receiving PHA should never forward the original portability packet without the initial PHA's permission.

Annual and On-Going Activities

After a family leases up in the receiving PHA's jurisdiction, the receiving PHA is responsible for conducting all interim and annual reexaminations for the family and all HQS inspections of the family's unit.

Under a billing arrangement, the initial PHA must be informed of all changes affecting the household subsidy. After each interim and annual reexamination, the receiving PHA must send the initial PHA a completed form HUD-52665 showing the new HAP amount and copies of the form HUD-50058 and related income verifications if the billing amount changes.

Either the initial PHA or the receiving PHA may determine that it is necessary to terminate the family's assistance, and either PHA may issue a termination notice and conduct the informal hearing. If the initial PHA has initiated termination in an instance where there is a significant distance between the two jurisdictions, the PHA is encouraged to offer to conduct the informal hearing by telephone conference.

If the receiving PHA has absorbed the family, the family is no longer considered a portable family. The initial PHA is no longer involved with the family's subsidy. There is no billing and no communication on other details of the family's occupancy.

Portability Billing

When a family leases up, the receiving PHA is responsible for completing Part II of form HUD 52665 and sending it back to the initial PHA within 10 days of HAP contract execution. A copy of the new form HUD 50058 and any related income verifications must be attached.

The receiving PHA must bill the initial PHA within six months of the date the initial PHA issued the housing voucher. If the receiving PHA fails to meet this deadline, the initial PHA is not obligated to honor the housing voucher and the receiving PHA must absorb the portable family.

The initial PHA is required to pay the receiving PHA within 30 days of the initial billing for housing assistance payments and fees and on a monthly basis thereafter or in accordance with a schedule developed between the initial and receiving PHAS. The initial bill from the receiving PHA to the initial PHA automatically establishes a request for regular payment in the future; the receiving PHA is not required to continue submitting billing forms.

When the receiving PHA administers the subsidy, the initial PHA retains 20 percent of the ongoing administrative fee for that housing choice voucher unless both PHAs reach a different agreement. The initial PHA may also be eligible for a preliminary fee if the portable voucher is part of a funding increment awarded during the first 12 months of the PHA's housing choice voucher program.

The receiving PHA bills the initial PHA for the full amount of the housing assistance payment and 80 percent (or other amount agreed to by both PHAs) of the ongoing administrative fee earned by the initial PHA. (The fee amount to be used when calculating the on-going administrative fee is the amount identified in column 2 of the annual fee notice published by HUD in the *Federal Register*.)

The receiving PHA may also bill the initial PHA for the $75 hard-to-house fee when the family leased includes more than three minors or a person with disabilities.

Either PHA may contact the HUD state or area office for assistance in resolving portability disputes between PHAs, although efforts to reach mutual agreements without HUD's involvement are encouraged. Frequently, involvement of management or executive staff at both agencies and agreement to use logs and other monitoring tools internally is all that is required.

HUD may reduce administrative fees to an initial PHA if the PHA does not promptly reimburse the receiving PHA or may impose other sanctions against PHAs that are not in compliance with portability procedures.

ADMINISTRATIVE FEES

The receiving PHA receives:

- 100% of the HAP for the leased unit;
- 80% of the initial PHA's administrative fee for the unit, unless the unit is owned by the receiving PHA; and
- Hard-to-house fees where applicable.

13.6 RELATED SEMAP INDICATORS

SEMAP Indicator 7 measures the PHA's efforts to expand housing opportunities and specifically to help families move to units located outside areas of poverty or minority concentration. The indicator measures whether the PHA informs housing choice voucher holders at each briefing of the full range of areas where they may lease units both inside and outside of the PHA's jurisdiction.

The SEMAP certification form requires the PHA to report whether its briefing packet includes an explanation of portability and a list of PHAs in neighboring jurisdictions including the name of the portability contact at the PHA and the telephone number and address to help the family contact that agency.

In each briefing, PHAs are also expected to have prepared and used maps showing neighborhoods both inside and beyond the PHA's jurisdiction where there are housing opportunities outside areas of poverty and minority concentration.

EXHIBIT 13-1
OUTGOING PORTABILITY
PORTABILITY PROCESSING LOG

Participant Name	Date Voucher Expires	Receiving PHA Name, Address, Telephone, Fax	50058 & 52665 Sent	6 Month Deadline	Date 52665 Rec'd	Absorb/ Bill	Complete

EXHIBIT 13-2
INCOMING PORTABILITY
PORTABILITY LEASING LOG

Participant Name	Date Voucher Expires	Date Extension Expires	50058 & 52665 Rec'd	Date RTA Rec'd	Date HAP Executed	Initial PHA	6 Month Deadline	56665/ Notice To Initial PHA	Complete

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CHAPTER 14
CONVERSION OF CERTIFICATES AND VOUCHERS TO HOUSING CHOICE VOUCHERS

14.1 CHAPTER OVERVIEW

This chapter will describe the activities required during the period of time that families assisted by rental certificates, over fair market rent tenancy option certificates (OFTO), or rental vouchers are converted to the housing choice voucher program. With one exception, all of the activities described in this chapter apply to families who were already rental certificate or rental voucher participants on October 1, 1999, which is the effective date of the merger to the housing choice voucher program.

The period of time during which the conversion from one form of subsidy to housing choice vouchers will occur is known as the transition period. The transition period may last through September 2001, but can be completed sooner if participant families voluntarily convert to the housing choice voucher program before they are required to do so.

Effective October 1, 1999 (the merger date), the only type of subsidy available to applicant and participant households at initial occupancy of a unit is a housing choice voucher.

14.2 CONVERSION ACTIVITIES FOR FAMILIES ASSISTED ON OCTOBER 1, 1999, WHO REMAIN IN THEIR UNITS THROUGHOUT THE TRANSITION PERIOD

Pre-Merger Vouchers (Rental Vouchers)

On the merger date, all in-place rental voucher program participants automatically became housing choice voucher program participants. The pre-merger housing voucher HAP contract requires that all rent and assistance payment calculations be performed in accordance with HUD requirements, allowing the new calculations to take effect without execution of a new HAP contract.

Exception for Families Receiving a Shopping Incentive

There is one exception to the immediate implementation of the new calculations that applies to families assisted prior to October 1, 1999, who are receiving a shopping incentive credit. These are families that are paying less than 30 percent of income for rent because they are leasing units for which rent plus utilities are less than the payment standard. These families will continue to receive the shopping incentive until:

- Family moves to a new unit; or

- Terms of the lease for the current unit are revised, requiring a new HAP contract. Any new contract must be the housing choice voucher HAP contract that does not allow for the shopping incentive.

Over-FMR Tenancy Option (OFTO) Certificates

OFTO families, like pre-merger voucher families, automatically became housing choice voucher participants on the merger date; the new rent calculations for housing choice vouchers were used for all OFTO reexaminations conducted on or after that date. Unlike voucher families, for OFTO families there are no exceptions to the rules on use of the new housing choice voucher rent formula.

Execution of Housing Choice Voucher HAP Contracts on Behalf of Pre-Merger Vouchers and OFTO Certificates

It is unnecessary to execute a new housing choice voucher HAP contract "convert" pre-merger vouchers and OFTO contracts. The old versions of the HAP contracts for voucher and OFTO tenancies provide that rules regarding the calculation of subsidy be applied in accordance with HUD regulations. Therefore, the merger rule and new rent formulas apply to these families without execution of a new HAP contract.

It will be necessary, however, to sign a new housing choice voucher contract when the following occurs:

- Family moves;
- Owner and family wish to revise the terms of the lease agreement; or
- Lease with a definitive ending date expires, and the owner and family wish to enter into a new lease and HAP contract for the same unit.

Application of Payment Standards

The rules regarding payment standards are discussed in detail in Chapter 7. Since the merger date, PHAs may have revised payment standards to comply with or to take advantage of new rules. Newly established payment standards should be used in the computation of a family's housing assistance payment at the next regular annual reexamination of each voucher participant and when a family:

- Moves to a new unit;
- Is "converted" from a certificate to a housing choice voucher family;
- Has a change in family composition resulting in a revised subsidy standard; or
- Initially receives assistance in the tenant-based assistance program.

In some localities PHAs may reduce payment standards. Under these circumstances, current participant households are protected against an immediate reduction in assistance which results solely from a reduction in the payment standard for the family unit size. The higher payment standard will be used until the second annual reexamination after the merger date.

Rental Certificates

Families Remaining in Assisted Units

A participant family leased under the rental certificate program may continue to receive assistance with a certificate until the second annual reexamination after the merger date, *as long as it remains in the same unit and there are no lease revisions (requiring execution of a new HAP contract).*

For these families, the certificate rent formula will be used until the family:

- Moves;
- Enters into a new lease with the owner; or
- Has its assistance converted to the housing choice voucher program (no later than the second annual reexamination after the merger date).

The second annual reexamination date after October 1, 1999, is the latest possible conversion date. If any family remains in a unit receiving certificate assistance throughout the transition period, the PHA must provide 120 days advance written notice of the end of participation in the certificate program prior to the second annual reexamination after the merger. The notice must inform the owner and family that the certificate HAP contract will end and that they have the opportunity to enter into a new housing choice voucher HAP contract.

PHAs may not require conversion to the housing choice voucher program prior to the family's second annual reexamination. However, if a PHA wishes to complete the transition of families into the housing choice voucher program more quickly, it may inform owners and families of the opportunity to renegotiate the lease and HAP contract and execute a housing choice voucher HAP contract, provided that there is no increase in the family's share of rent.

Families Who Wish to Move

If the family wishes to move, the PHA must issue a housing choice voucher to the family. Any HAP contract executed on a new unit must be a housing choice voucher HAP contract. If the family does not locate another unit, it may continue to receive certificate assistance in the current unit until the second annual reexamination after the merger date, or until it finds another unit and moves.

Rent Increases

As long as a family is receiving assistance under the certificate program, the certificate rules on rent increases apply. If an owner wishes to increase the rent to an amount that is higher than permitted by application of the annual adjustment factor, the PHA may not approve the rent increase. However, if the increased rent requested by the owner is reasonable, as compared to

similar unassisted units, and the family wishes to remain in the unit, the certificate contract may be terminated and a new housing choice voucher contract may be executed on the family's behalf. All of the rules described in this guidebook for initial leasing in the housing choice voucher program would then apply to that lease and HAP contract (except the maximum initial rent burden as explained below).

PHAs should exercise care when suggesting early conversion to the housing choice voucher program. If an owner chooses to convert to the housing choice voucher program earlier than required because he or she wishes to receive a rent which would not be permitted under the certificate program, the PHA must be sure that the rent reasonableness determination is properly conducted.

Conversion to housing choice voucher assistance, coupled with a rent increase, may result in the family share increasing to an amount greater than 30 percent of monthly adjusted income. The PHA must not permit the owner to increase the rent unless the new proposed rent is reasonable.

14.3 APPLICATION OF OTHER RULES TO CONVERSIONS OF ASSISTANCE TO HOUSING CHOICE VOUCHERS

Maximum Initial Rent Burden

The merger rule prohibits families from paying more than 40 percent of monthly adjusted income for rent at admission to the program and at initial occupancy of any unit when the gross rent exceeds the payment standard. See further discussion of this rule in Chapter 6. However, the 40 percent limit does not apply to the conversion of assistance in the same unit.

For example, if a certificate family remains in its original unit through the transition period and signs a new lease with the owner, the PHA is not required to apply the rule on maximum initial rent burden. The 40 percent limit does not apply in this example because the family is not moving to a new unit.

If the family decides to move to a new unit, the maximum 40 percent of monthly adjusted income does apply.

Renting to Relatives

PHAs are prohibited from approving a HAP contract when the owner is a close relative of the tenant, unless the PHA determines that approving the unit will provide a reasonable accommodation for a family member with disabilities. Current HAP contracts (entered into before June 17, 1998) on behalf of owners and tenants who are related may continue, but new leases and HAP contracts cannot be approved, *with one exception*. If a contract and lease are signed solely as a result of the merger to the housing choice voucher program (at the conversion of assistance for an in-place participant family), there is no prohibition against signing this new HAP contract. See Chapters 8 and 11 for a more complete discussion of the prohibition against renting to relatives.

Effect on Owner Ability to Submit Claims for Unpaid Rent, Damages and Vacancy Loss for Conversion of Pre-1995 HAP Contracts to Housing Choice Vouchers

Families who have remained in place since August 1995 may still be assisted under a pre-1995 version of the HAP contract (for either certificates or vouchers). These pre-1995 HAP contracts provided that owners collect a reduced security deposit from participants, but permitted the owner to make a claim to the PHA for reimbursement of unpaid rent, tenant damages, and vacancy loss (Certificates only) owed as a result of the tenant vacating the assisted unit. The tenant move-out triggers eligibility for these claims.

At the time of conversion from the pre-1995 HAP contract, the owner will be entitled to make a claim only if the family moves out of the unit. In these circumstances the owner must comply with all of the PHA's rules regarding submission and payment of claims.

However, if the family and owner choose to enter into a new housing choice voucher HAP contract for the same unit, the owner may not submit a request for a claim because the family has not vacated the unit. However, an owner may require the family to increase the amount of its security deposit.

14.4 MTCS AND OTHER SOFTWARE MODIFICATIONS

Beginning on the merger date of October 1, 1999, MTCS accepted data on a revised form HUD-50058, and accepted admission records only for the housing choice voucher program. PHAs were required to modify their internal software programs to permit transmission of the new voucher rent formula.

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CHAPTER 15
TERMINATIONS OF ASSISTANCE AND HAP CONTRACTS

15.1 CHAPTER OVERVIEW

To preserve the integrity of the housing choice voucher program, it is important that families abide by their family obligations and lease agreements. It is also essential that owners comply with their obligations under the terms of the HAP contract. This chapter discusses PHA, owner, and family responsibilities in terminations of tenancy, terminations of assistance, and terminations of the HAP contract under the housing choice voucher program.

15.2 TERMINATION OF TENANCY

Termination of Tenancy by the Family

The family may terminate tenancy after the initial term of the lease. Terminations during the initial term may be allowed if the owner agrees to release the family from the lease or if the lease provides for such termination (usually with notice).

The family must give the owner notice of termination in accordance with the lease and must give the PHA a copy of this notice. In addition to informing the PHA of its intention to terminate the lease, the family must notify the PHA whether or not the family desires assistance in another location.

Termination of Tenancy by the Owner

Overview

The owner must only terminate the lease in accordance with the provisions of the lease and HUD requirements. During the term of the lease, including the initial term and any extensions, the owner may only terminate tenancy for the following four reasons:

- Serious or repeated violations of the terms and conditions of the lease. A serious or repeated violation includes failure to pay rent or other amounts due under the lease;
- Violations of federal, state, or local law that directly relate to the occupancy or use of the unit or premises;
- Criminal activity or alcohol abuse; or
- Other good cause.

The owner may not terminate tenancy if the PHA fails to pay the housing assistance payment or pays it late. PHA failure to make the housing assistance payment is not a violation of the lease between the family and the owner.

During the initial lease term, the owner may not terminate the tenancy for "other good cause" unless the owner is terminating the tenancy because of something the family did or failed to do. For example, the following are NOT grounds for termination of tenancy during the initial lease term:

- Failure by family to accept offer of new lease or lease revision;
- Owner desire to use unit for personal or other use; or
- Business or economic reason.

Termination for Criminal Activity and Drug and Alcohol Abuse

The owner may terminate the tenancy any time during the lease term if any member of the family, guest, or other person under the family's control commits any of the following types of criminal activity:

- Criminal activity that threatens the health, safety, or peaceful enjoyment of the premises by other residents, including property management staff;

- Criminal activity that threatens the health, safety, or peaceful enjoyment of the premises by people residing in the immediate vicinity; or

- Violent criminal activity on or near the premises; or

- Drug-related criminal activity on or near the premises.

The tenancy addendum that is part of the HAP contract also includes the following as grounds for owner terminations of tenancy:

- Abuse of alcohol by any household member that threatens the health, safety, or right to peaceful enjoyment of the premises by residents;

- Fleeing by any household member to avoid prosecution, or custody or confinement after conviction for a felony or attempt to commit a felony;

- Violation by any household member of a condition of probation or parole under federal or state law.

The owner may terminate tenancy for criminal activity by any household member, regardless of whether the household member has been arrested or convicted for such activity.

Terminations for Other Good Cause

During the initial lease term and any extension of the term, other good cause may include:

- Disturbing neighbors;

- Destroying property or engaging in other activities that result in damage to the unit or premises; and
- Carrying out living or housekeeping habits that cause damage to the unit or premises.

After the initial lease term, other good cause may also include:

- Family not accepting an offer of a new lease or revision;
- Owner desire to use the unit for personal or other use; and
- Business or economic reasons, such as the sale of the property, renovation, or the request for a rent higher than the PHA can approve.

During the initial lease term, the owner may terminate for other good cause only because of something the family did or failed to do. For example, the owner may terminate tenancy for housekeeping habits resulting in damage to the unit but not for the owner's personal use of the unit.

Notification Requirements

To terminate tenancy the owner must give the family written notice of the owner's intent to terminate the tenancy and the reasons for the termination. The tenancy does not terminate before such notice is given. The notice must be given to the tenant before any eviction process starts or as part of any eviction notice required by state or local law.

Eviction notice means a notice to vacate, or a complaint or other initial pleading used to begin an eviction action under state or local law. The owner may only evict the tenant from the unit through a court action, and the owner must give the PHA a copy of any owner eviction notice to the tenant.

15.3 HAP CONTRACT TERMINATIONS

Automatic Termination

A HAP contract terminates automatically when:

- The family moves from the unit;
- The PHA terminates program assistance for the family;
- The owner or family terminates the lease;
- The owner evicts the family; or

- One hundred and eighty (180) calendar days elapses since the last housing assistance payment to the owner.

The PHA must make housing assistance payments to the owner as long as the tenant remains a program participant and remains in the unit, even if the owner has started the eviction process. The PHA must continue to pay the housing assistance payment to the owner until the family moves or the court judgment allows the owner to evict.

PHA Terminations of HAP Contract

The PHA may terminate the HAP contract if:

- The PHA determines that the contract unit does not meet HQS space requirements because of an increase in family size or a change in family composition. In this case, the PHA issues the family a voucher to look for more suitable housing. If an acceptable unit is found, the PHA must notify the family and owner of the termination and must terminate the HAP contract. The HAP contract terminates on the last day of the month following the month in which the PHA provided the owner with the notice.

- The family breaks up unless the PHA, in conformance with its policy, has decided to continue to make housing assistance payments on behalf of those family members that remain in the unit.

- The unit does not meet all HQS requirements.

- The PHA determines that the owner has otherwise breached the HAP contract. Owner breach of contract includes the following:

  - Drug-trafficking and violent criminal activity;

  - Fraud or bribery or other corrupt or criminal act in connection with federal housing programs;

  - Violations under any other HAP contract; or

  - Failure to comply with mortgage insurance/loan program regulations, or bribery or other corrupt or criminal act in connection with the program. (Only for projects with mortgages insured or loans made from HUD.)

- The PHA has insufficient funds under the consolidated ACC to continue assistance.

If the PHA terminates the contract, the PHA must give the owner and family written notice. The notice must specify the reasons for the termination and the effective date of the termination. Once a HAP contract is terminated, no HAP payments may be made, and the PHA will not earn an administrative fee for the unit.

15.4 PHA TERMINATION OF ASSISTANCE FOR FAMILY

When the PHA Is Required to Terminate Assistance

Housing choice voucher program rules require the PHA to terminate assistance to a participating family if:

- Any family member fails to sign and submit consent forms required for obtaining information on family status as part of any reexamination conducted by the PHA;
- Any family member fails to declare citizenship or provide documentation of eligible non-citizen status within the prescribed timeframes and extensions (see Chapter 5 for more details on these special requirements); or
- The family is evicted from housing assisted under the program for a serious or repeated violation of the lease.

Termination for Family Action or Failure to Act

The PHA may terminate assistance because of the participating family's action or failure to act. The PHA's policies regarding actions or inactions that may lead to the termination of assistance must be described in the PHA administrative plan.

The PHA may terminate assistance by refusing to enter into a HAP contract or approve a request for tenancy, terminating housing assistance payments under an outstanding HAP contract, or refusing to process or provide assistance under portability procedures.

The PHA may terminate assistance for the following reasons:

- The family violates any family obligations under the housing choice voucher program (see Chapter 8);
- Any member of the family commits fraud, bribery, or other corrupt or criminal act related to any federal housing program;
- Family currently owes monies to the PHA or another PHA for amounts in connection with the housing choice voucher program or public housing program;
- Family has not reimbursed any PHA for amounts paid to an owner under a HAP contract for rent, damages to the unit, or other amounts owned by the family under the lease;
- Family is in breach of a repayment agreement with any PHA;
- Family violates the PHA's policy on absence from a unit. The PHA administrative plan must include a policy limiting the number of consecutive days a family may be absent from the assisted unit to a maximum of 180 days. The PHA may choose to establish a lesser period of

absence. The family must provide information to the PHA related to absence from the unit, such as the notification of absence or documentation of residency as required by the PHA's policy. The PHA may verify family occupancy or absence through visits, calls, and conversations with owners and neighbors;

- Any member of the family has been evicted from federal assisted housing in the last five years;
- A PHA has ever terminated assistance under the program for any member of the family;
- Family has engaged in or threatened abusive or violent behavior to PHA personnel;
- FSS family fails to comply with the contract of participation without good cause; and
- Welfare-to-work family fails, willfully and persistently, to fulfill its obligations under the welfare-to-work voucher program.

Prior to terminating assistance, however, the PHA must give the family the opportunity to request a hearing. In making termination decisions due to family action or failure to act, the PHA has the discretion to consider the seriousness of the issue, the level of involvement of family members, mitigating circumstances related to the disability of a family member, and the effects of termination on non-involved family members.

In appropriate cases, the PHA may permit some members of the family to continue receiving assistance while imposing a condition that the family member or members who engaged in wrongful activity will not reside with the assisted family. If the family includes a person with disabilities, the PHA decision is subject to consideration of reasonable accommodation.

Termination for Criminal Activity and Alcohol Abuse

The PHA must adopt standards that allow the PHA to terminate assistance for a participating family if it determines that any household member has engaged in drug-related criminal activity or violent criminal activity.

The PHA must immediately terminate assistance if it determines that a member of a participating household has ever been convicted of drug-related criminal activity for manufacture or production of methamphetamine (speed) on the premises of federally assisted housing.

The PHA's policies must permit the PHA to terminate assistance for a family if a member of the household is fleeing to avoid prosecution, custody, or confinement after conviction, for a crime or an attempt to commit a crime that is a felony. (In New Jersey, the term for a felony is "high misdemeanor".) PHA policies must also permit the termination of assistance when a family member is violating a condition of probation or parole imposed under federal or state law.

PHA policies must allow termination of assistance if a household member has engaged in abuse of alcohol or a pattern of abusing alcohol that threatens the health, safety, or the right to peaceful enjoyment of the premises by other residents.

The PHA may deny admission or terminate assistance for criminal activity if the PHA determines that the household member has engaged in the criminal activity, regardless of whether the household member has been arrested or convicted. If the PHA proposes to terminate assistance for criminal activity and possesses a copy of the relevant criminal record, the PHA must provide the family with a copy of the criminal record before the PHA hearing, and the family must be given the opportunity to dispute the accuracy and relevance of the record.

In determining whether to terminate assistance for illegal drug use or alcohol abuse by a household member who is no longer using drugs or abusing alcohol, the PHA may consider whether that individual is participating in or has successfully completed a supervised drug or alcohol rehabilitation program or has otherwise been successfully rehabilitated. The PHA may require the household member to submit evidence of current participation in, or successful completion of, a supervised rehabilitation program as a condition of continued assistance.

When appropriate, the PHA may require that the family member who engaged in the drug use or alcohol abuse may not reside in the unit as a condition of continued assistance for the remaining members of the household.

ACHIEVING SUCCESSFUL TERMINATIONS

- If the PHA learns of lease violations, a warning letter to the tenant and owner may help to change behavior and avoid possible termination. Should the violations continue, the warning letter provides documentation that the family was aware of the problem and given an opportunity to correct it.
- Written documentation is essential if the tenant is to be terminated for serious or repeated lease violations or drug related criminal activity.
- Even anonymous calls can be logged with dates and times of the call to document patterns of behavior.
- Always provide the family and owner with sufficient notice of any proposed termination action and advise the family of the right to request a hearing.

Notification Requirements

Upon making a decision to terminate assistance, the PHA must give both the owner and the family written notice of termination that states:

- Reason for the termination;
- Effective date of the termination; and

- Family's right to request a hearing.

There are additional notification requirements for terminating assistance based on failure to claim or document eligible immigration status (see Chapter 5). Termination of assistance affects the housing choice voucher family's right to the unit since the lease automatically terminates when the HAP contract terminates. An owner has the right, however, to offer the tenant a separate, unassisted lease.

Information to be Provided to the Family

Upon admission into the program, the PHA must give the family a written description of the following:

- Family obligations under the housing choice voucher program;
- Grounds on which the PHA may terminate assistance because of family action or failure to act; and
- PHA informal hearing procedures.

EXHIBIT 15-1

SAMPLE NOTICE OF CONTRACT TERMINATION

Rodney Loftin
ABC Management Company
391 California Way
Anywhere, VA 20000

RE: Housing Assistance Contract Termination

Tenant Name: Alexis Jones
Address: 8959 Howard Ave.
Anywhere, VA 20000

Dear Mr. Loftin:

Due to [REASON, I.E. FAILURE TO MAINTAIN UNIT IN COMPLIANCE WITH HOUSING QUALITY STANDARDS], the Anywhere Housing Authority will terminate the Housing Assistance Payments contract entered into on behalf of the above-mentioned tenant effective [EFFECTIVE DATE].

Specifically, [SPECIFIC REASON, I.E. AFTER TWO PHA INSPECTIONS, YOU HAVE FAILED TO MAKE THE NECESSARY REPAIRS TO THE UNIT].

Anywhere Housing Authority will not make any HAP payments to you after [TERMINATION DATE]. Should the tenant choose to remain in the unit after that date, the tenant will be responsible for the full contract rent.

Should you have any questions or concerns, please contact me at (909) 555-1212.

Sincerely,

Jessica Brown
Housing Program Specialist

cc: Alexis Jones, Tenant

EXHIBIT 15-2

SAMPLE NOTICE OF TERMINATION OF ASSISTANCE

Paula Matthews
123 Del Mar Road #357
Anywhere, VA 20000

RE: Termination of Assistance

Dear Ms. Matthews:

This letter is to advise you that a review of your tenant file indicates that you have not complied with the requirements of the housing choice voucher program. Specifically, [REASON, I.E., YOU FAILED TO COMPLETE YOUR ANNUAL REEXAMINATION AND ALLOW YOUR UNIT TO BE INSPECTED].

As a result of your failure to comply with the above stated requirement(s), your assistance is terminated effective [DATE OF TERMINATION]. If you wish to appeal this decision, you have the right to an informal hearing. The request must be submitted to this agency in writing within [NUMBER CONSISTENT WITH PHA POLICY] working days from the date of this letter. Your request should be directed to me.

If your request is not received within the time period indicated above, you will waive your right to a hearing and our decision to terminate your assistance will become final. This does not, however, constitute a waiver of your rights to appropriate judicial proceedings.

Should you choose to remain in occupancy after the effective date of your termination, you will be responsible for paying the full amount of rent to the owner.

Sincerely,

Michael Jackson
Housing Program Specialist

cc: Rodney Loftin, Owner

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CHAPTER 16
INFORMAL REVIEWS AND HEARINGS

16.1 CHAPTER OVERVIEW

Families seeking admission to or already participating in the housing choice voucher program have the right to receive an informal review or hearing in most circumstances in which a PHA makes a decision affecting their eligibility or amount of assistance. The purpose of an informal review or hearing is to resolve applicant or participant disputes with the PHA without legal action and to correct PHA errors that might have occurred in the decision-making process.

With the exception of decisions related to restrictions on non-citizens, an *informal review* is for program applicants and an *informal hearing* is for program participants. Decisions related to restrictions on assistance to non-citizens always require an *informal hearing* regardless of whether the family is an applicant or a participant.

16.2 NOTICE OF RIGHTS

Certain PHA actions or decisions require an offer of informal review or hearing. Following these actions or decisions, a PHA must give an applicant or participant prompt written notice of the family's right to ask for an informal review or an informal hearing to determine whether the PHA's decision is in accordance with the law, HUD regulations, and PHA policies. The notice must contain the following information:

- A brief statement of reasons for the decision;
- A statement that if the family does not agree with the decision, the family may request an informal review or informal hearing; and
- The deadline for the family to submit its request.

Upon receiving the family's request the PHA must proceed with the informal review or informal hearing in a reasonably expeditious manner.

The PHA has latitude in establishing reasonable timeframes for families to request a review or hearing.

16.3 CIRCUMSTANCES WHICH REQUIRE THE OFFER OF AN INFORMAL REVIEW OR HEARING

PHAs are not required to conduct an informal review or informal hearing to reconsider every PHA action or decision.

An informal review is not required for decisions concerning:

- Determination of unit size under the PHA's subsidy standards;

- Determination that a unit does not meet or comply with housing quality standards;
- Denial of a request to extend or suspend a voucher term;
- General policy issues or class grievances;
- Discretionary administrative determinations by the PHA; and
- A PHA refusal to grant approval of the tenancy.

In all other circumstances, a PHA must give a program applicant an opportunity for an *informal review* of a decision when the applicant requests it.

An informal hearing is not required for the following:

- Determination that a unit does not comply with housing quality standards;
- Refusal to extend or suspend a voucher term;
- Discretionary administrative determinations by the PHA;
- General policy issues or class grievances;
- How the PHA established its utility allowance schedule;
- PHA refusal to approve a unit or tenancy;
- Determination that a unit does not meet housing quality standards due to family size or change in composition; and
- A determination to exercise or not to exercise any rights or remedy against the owner.

PHA decisions regarding the following determinations require that a program participant be given an opportunity for an *informal hearing*:

- Determination of the family's annual or adjusted income;
- Calculation of total tenant payment;
- Determination of appropriate utility allowance from the PHA's utility allowance schedule;
- Termination of assistance;
- Determination of unit size for participants under the PHA's subsidy standards; and
- Denial of a hardship exemption to the minimum rent requirement;

Hearings to Consider a Determination of Ineligible Immigration Status

Whenever the PHA makes a determination of ineligible immigration status, the PHA must offer an applicant or participant family the opportunity to request an informal hearing. A family may request an informal hearing within 30 days of receipt of the ineligibility determination from the U.S. Immigration and Naturalization Service (INS), or the PHA's decision to delay, terminate, or deny assistance.

The PHA must keep all denial or termination of assistance documents related to immigration status for a minimum of five years. These include any applications for initial or continued assistance.

With good cause, PHAs may extend the period to request an informal hearing related to immigration status.

16.4 TIMING OF INFORMAL HEARINGS

In cases where the PHA decides to terminate or reduce a family's assistance, the PHA must send a notice which explains the reason for the decision and provides the family the opportunity to request an informal hearing prior to the PHA's terminating or reducing assistance.

A PHA may implement the following changes prior to an informal hearing:

- Changes in total tenant payment or family share;
- Denial of a new voucher for a family that wants to move; or
- Unit size determinations for a family that wants to move.

16.5 INFORMAL REVIEW OR HEARING PROCESS

A PHA's administrative plan must clearly state the procedures for conducting informal reviews for applicants and informal hearings for participants. In addition, the PHA's briefing packet, provided to all voucher holders, must include a description of the procedures for requesting informal reviews and informal hearings.

Informal Review Process

Any person or persons designated by the PHA may conduct an informal review, other than the person or a subordinate of that person who made or approved the decision under review.

The program applicant must be given an opportunity to present written or oral objections to the PHA decision.

The PHA must notify the applicant of its final decision after the informal review, including a brief written statement of the reasons for the final decision.

Informal Hearing Process

An informal hearing is conducted by a hearing officer or officers appointed as described in the PHA administrative plan. The hearing officer may be any person or persons designated by the PHA, with the exception of the person or a subordinate of the person who made or approved the decision under review. The person who conducts the hearing may regulate the conduct of the hearing according to the procedures described in the PHA administrative plan.

APPROACHES TO SELECTING AND APPOINTING HEARING OFFICERS

- Many PHAs appoint PHA staff members to serve as hearing officers. The staff members selected for the role vary significantly from one PHA to another. In some PHAs, the hearing officer is a staff member who has the same title but serves on a separate functional team as the person who made the decision under review.

- In other PHAs, the hearing officer may be a staff member in another department. A staff member in another department may have the ability to be more impartial in reviewing decisions made by PHA staff.

- Some PHAs appoint hearing officers from outside the PHA. Civic-minded individuals from the wider community may be willing to serve as hearing officers, especially if the term is limited. Often attorneys offer to serve although the role does not require any legal knowledge. When hearing officers from outside the PHA are used, it is important to ensure they know the rules and PHA policy related to decisions under dispute and are informed of the limits to decisions that can be made in an informal hearing.

- Some PHAs use panels of hearing officers for informal hearings. In some cases, the panel consists of a mix of housing choice voucher program participants, staff members and outside, impartial representatives. A PHA commissioner may serve as the chairperson of the informal hearing panel. Coordination of a panel may be more difficult. It generally works best if hearings are held according to a regular schedule—once a month or every other week. The advantage to a panel may be that it provides both impartiality and knowledge of program requirements.

Before the hearing the family must be given the opportunity to examine any PHA documents directly relevant to the hearing. The family must be allowed to copy any such documents at the family's expense. If the family requests a relevant document and the PHA does not make it available, the PHA may not rely on the document at the hearing.

Similarly, the PHA administrative plan may require that the PHA be given the opportunity to examine, at the PHA offices, any family documents that are directly relevant to the hearing. The PHA must be allowed to copy these relevant documents at its expense. If the family does not make such documents available after receiving the PHA's request, the family may not rely on the documents at the hearing.

Representation and Evidence

The family is entitled to representation by a lawyer or other spokesperson at its own expense. Both the PHA and the family must be given the opportunity to present evidence, and each may question any witnesses. Evidence may be considered without regard to admissibility under the rules of evidence applicable to judicial proceedings.

The person who conducts the hearing must issue a written decision that briefly states the reasons for the decision. Factual determinations relating to the individual circumstances of the family shall be based on a "preponderance of the evidence" presented at the hearing. A copy of the hearing decision must be promptly furnished to the family.

The PHA is not always bound by a decision made at an informal hearing. The PHA is not bound when a decision is made:

- Concerning a matter for which the PHA is not required to provide an opportunity for an informal hearing;
- Concerning a matter that exceeds the authority of the person conducting the hearing under the PHA's hearing procedures; or
- That is contrary to HUD regulations or requirements, or otherwise contrary to federal, state, or local law.

If the PHA determines that it is not bound by a hearing decision, it must notify the family and inform the family of the reasons the PHA has determined that the decision is not binding.

INFORMAL HEARING DECISIONS:
UNDERSTANDING THE BOUNDARIES

Occasionally, hearing officers express opinions or make decisions that exceed the issue put before the hearing officer. On some occasions, hearing officers have made decisions that are contrary to program rules or even relevant law. The following examples are types of situations that may arise:

- A family may request an informal hearing when it believes its total tenant payment has been incorrectly calculated. In such an instance, the hearing officer may look to see if annual income has been determined according to program regulations and that calculations are correct based on information verified by income sources and program rules. The hearing officer may determine in favor of the family, if, for example, he or she finds that staff mistakenly calculated family income by multiplying an hourly wage by 40 hours for a family member who is working only 20 hours a week. The hearing officer could not, however, decide that it was inappropriate or unfair to include the amount of child support paid out to another household in annual income.

- In an informal hearing requested to review a notice of intent to terminate assistance due to family absence from the unit, the hearing officer may decide that the evidence, presenting that the family was not absent and in violation of the PHA's stated policy, is convincing. However, the officer may not decide that the PHA's policy is too restrictive and that the family should not be made to abide by it.

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CHAPTER 17
SPECIAL HOUSING TYPES

17.1. CHAPTER OVERVIEW

A PHA has the option to allow participating households to use their housing choice voucher program assistance in a number of specialized housing types. Each of the special housing types described below is targeted to households with particular needs. The program housing quality standards (HQS) generally apply to all units, but each special type of housing has additional unique HQS standards. The payment standard used for each special housing type, and any non-standard requirements for determining the utility allowance, calculating the HAP payment, or determining the reasonableness of the rent, are included in the program descriptions.

With the exception of manufactured homes, which the PHA must allow families to lease under the program, the PHA must decide whether or not to approve the use of special housing types. The PHA's decision should be based on its assessment of the difficulties encountered by households currently looking for housing, applicant and participant demographics suggesting a need for specialized housing, and the availability of suitable housing of the various types in the local market. However, even though a PHA may decide to disallow the use of special housing types, the PHA must allow the use of a special housing type if needed as a reasonable accommodation for persons with disabilities.

The PHA's choice to approve use of any of these special housing types should not be confused with a commitment on the part of the PHA to provide project-based funding for specialized housing. All of these programs are options that may be made available to voucher holders and participant households as they search for housing. The PHA may not set aside program funds for special housing types. The PHA cannot give preference to households that wish to live in any of these types of housing, and cannot require households to select any of these types of housing. For each household that elects to lease a unit in one of these special housing types, there is a separate lease and HAP contract. The PHA has no obligation to help owners of these special types of housing fill units vacated by housing choice voucher program participants.

The PHA's administrative plan must include local policies regarding the use of special housing types.

17.2. SINGLE ROOM OCCUPANCY FACILITIES

Description

A single room occupancy (SRO) unit provides living and sleeping space for the exclusive use of the occupant, but requires the occupant to share sanitary and/or food preparation facilities. There is no federal limitation on the number of SRO units in an SRO facility.

Use of this type of housing—other than for projects funded under the McKinney Act—formerly required specific approval by HUD. HUD approval is no longer required.

Occupancy

An SRO unit may not be occupied by more than one person. Program regulations do not place any limit on the number of units in an SRO facility, although the size of a facility may be limited by local laws.

HQS

Federal regulations for SRO units include special provisions for access and fire safety as follows:

- *Access*: Access doors to the SRO unit must have working locks for privacy. The occupant must be able to access the unit without going through any other unit. Each unit must have immediate access to two or more approved means of exit from the building, appropriately marked and leading to safe and open space at ground level. The SRO unit must also have any other means of exit required by State or local law.

- *Fire Safety*: All SRO facilities must have a sprinkler system that protects major spaces. "Major spaces" are defined as hallways, common areas, and any other areas specified in local fire, building, or safety codes. SROs must also have hard-wired smoke detectors, and any other fire and safety equipment required by state or local law.

In addition, sanitary facilities and space and security features must meet local code standards for SRO housing. In the absence of local code standards the following requirements apply:

- *Sanitary Facilities*: At least one flush toilet that can be used in privacy, a lavatory basin, and a bathtub or shower in proper operating condition must be provided for each six persons (or fewer) residing in the SRO facility. If the SRO units are leased only to men, flush urinals may be substituted for up to one half of the required number of toilets. Sanitary facilities must be reasonably accessible from a common hall or passageway, and may not be located more than one floor above or below the SRO unit. They may not be located below grade unless the SRO units are located on that level.

- *Space and Security*: An SRO unit must contain at least 110 square feet of floor space, and at least four square feet of closet space with an unobstructed height of at least five feet, for use by the occupant. If the closet space is less than four square feet, the habitable floor space in the SRO unit must be increased by the amount of the deficiency. Exterior doors and windows accessible from outside the SRO unit must be lockable.

The housing quality standards applicable to lead-based paint do not apply.

Payment Standard and HAP Calculation

The payment standard for SRO housing is 75 percent of the 0-bedroom payment standard amount on the PHA's payment standard schedule.

The HAP for an assisted occupant in an SRO facility is the lower of the SRO payment standard amount minus the TTP or the gross rent for the unit minus the TTP. The utility allowance for an SRO unit is 75 percent of the 0-bedroom utility allowance.

17.3. CONGREGATE HOUSING

Description

Congregate housing is intended for use by elderly persons or persons with disabilities. It contains a shared central kitchen and dining area and a private living area for the individual household of at least a living room, bedroom and bathroom. Food service for residents must be provided.

Occupancy

Elderly persons or persons with disabilities may live in congregate facilities. With PHA approval a live-in aide may live in the congregate unit with a person with disabilities or an elderly person. The PHA must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

HQS

Housing quality standards for the housing choice voucher program apply to congregate housing, with the exception of the following alternate requirements:

Food Preparation and Refuse Disposal

Congregate housing requires:

- A refrigerator of appropriate size in the private living area of each resident;
- Central kitchen and dining facilities located within the premises and accessible to the residents; and
- Food service for the residents that is not provided by the residents themselves.
- The housing quality standards applicable to lead-based paint do not apply.

Payment Standard and HAP Calculation

The payment standard for an individual unit in a congregate housing facility is based on the number of rooms in the private living area. If there is only one room in the unit (not including the bathroom or the kitchen, if a kitchen is provided), the payment standard for a 0-bedroom unit is used. If the unit has two or more rooms (other than the bathroom and the kitchen), the PHA should use the 1-bedroom payment standard.

The HAP for an assisted occupant in a congregate housing facility is the lower of the applicable payment standard minus the TTP or the gross rent for the unit minus the TTP.

Housing choice voucher program assistance should be calculated on the shelter portion (including utilities) of the resident's monthly housing expense only. The residents' costs for food service should not be included in the rent for a congregate housing unit.

17.4. GROUP HOMES

Description

A group home is a state-licensed facility intended for occupancy by elderly persons and/or persons with disabilities. The group home consists of residents' bedrooms, which can be shared by no more than two people, and a living room, kitchen, dining area, bathroom, and other appropriate social, recreational, or community space that may be shared with other residents. No more than 12 persons may reside in a group home. This includes assisted and unassisted residents, and any live-in aides.

Occupancy

Elderly persons or persons with disabilities may live in group homes. If approved by the PHA, a live-in aide may live in the group home with a person with disabilities. The PHA must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities. Except for live-in aides, all persons living in a group home, whether assisted or not, must be elderly persons or persons with disabilities.

Persons living in a group home must not require continual medical or nursing care.

HQS

In addition to the generally applicable housing choice voucher program HQS, group homes require the following:

- *Sanitary Facilities*: Group homes must have at least one bathroom in the unit, with a flush toilet that can be used in privacy, a fixed basin with hot and cold running water, and a shower or bathtub with hot and cold running water. A group home may contain private or common bathrooms. However, no more than four residents can be required to share a bathroom.

- *Food Preparation and Service*: Group home units must contain a kitchen and dining area with adequate space to store, prepare, and serve food. The facilities for food preparation and service may be private or may be shared by the residents. The kitchen must contain a range, an oven, a refrigerator, and a sink with hot and cold running water. The sink must drain into an approvable public or private disposal system.

- *Space and Security*: Group homes must contain at least one bedroom of appropriate size for every two people, and a living room, kitchen, dining area, bathroom, and other appropriate social, recreational, or community space that may be shared with other residents.

- *Structure and Material*: To avoid any threat to the health and safety of the residents, group homes must be structurally sound. Elevators must be in good condition. Group homes must be accessible to and usable by residents with disabilities.

- *Site and Neighborhood*: Group homes must be located in a residential setting. The site and neighborhood should be reasonably free from hazards to the health, safety, and general welfare of the residents, and should not be subject to serious adverse conditions, such as:

  - Dangerous walks or steps
  - Instability
  - Flooding, poor drainage
  - Septic tank back-ups
  - Sewage hazards
  - Mud slides
  - Abnormal air pollution
  - Smoke or dust
  - Excessive noise
  - Vibrations or vehicular traffic
  - Excessive accumulations of trash
  - Vermin or rodent infestation, and
  - Fire hazards.

The housing quality standards applicable to lead-based paint do not apply.

Payment Standard and HAP Calculation

Unless there is a live-in aide, the family unit size for an assisted occupant of a group home is 0- or 1-bedroom, depending on the PHA's subsidy standard. If there is a live-in aide, the aide must be counted in determining the household's unit size.

The payment standard used to calculate the HAP is the lower of the payment standard for the family unit size or the pro-rata share of the payment standard for the group home size. The pro-rata share is calculated by dividing the number of persons in the assisted household by the number of persons (assisted and unassisted) living in the group home.

DETERMINING THE PAYMENT STANDARD FOR A GROUP HOME UNIT

Rule: The payment standard is the lower of the payment standard for the family unit size or the pro-rata share of the payment standard for the group home size.

Example: Household includes a person with disabilities plus a live-in aide.

Family unit size: 2 BR
Persons in the group home: 8
Group home size: 8 Bedrooms

2 BR payment standard: $400
8 BR payment standard: $1,500

2 person in assisted household
÷ 8 persons in the group home
.25 = pro-rata share

$1,500
x .25
$375 pro-rata share of payment standard for group home

$375 is lower than the $400 payment standard for the family unit size
$375 is the payment standard used to calculate the HAP payment

The HAP for an assisted occupant in a group home is the lower of the payment standard minus the TTP or the gross rent minus the TTP. The utility allowance for an assisted occupant in a group home is the pro-rata share of the utility allowance for the group home.

CALCULATING THE HAP AND UTILITY ALLOWANCE FOR A GROUP HOME UNIT

Household is person with disabilities plus live-in aide from example above.
Actual rent charge: $300
TTP for the household = $135
Payment standard (from above): $375

8 BR utility allowance (electricity): $280
$280 x .25 pro-rata share (from above) = $70 Utility Allowance

$300 Actual rent to owner plus allowance for tenant-paid electricity: $70.
$370 Gross Rent

$375 (Payment standard) - $135 (TTP) = $240
$370 (Gross Rent) - $135 (TTP) = $235
HAP = $235

The rents paid for participants residing in group homes are subject to generally applicable standards for rent reasonableness. The rent for an assisted person must not exceed the pro-rata portion of the reasonable rent for the group home. In determining reasonable rent, the PHA should consider whether sanitary facilities and facilities for food preparation and service are common facilities or private facilities.

DETERMINING RENT REASONABLENESS
OF A PRO-RATA SHARE FOR A GROUP HOME UNIT

The household consists of a person with disabilities plus a live-in aide. The group home has 8 bedrooms.

The PHA has determined that a comparable 8 BR unit would rent for $1,500. One of the factors considered by the PHA is the fact that the assisted family is provided private sanitary facilities not used by other residents.

$1,500 x .25 (pro-rata share from above) = $375

The gross rent for the assisted household ($370) does not exceed the pro-rata share of the reasonable rent for the group home ($375).

17.5. SHARED HOUSING

Description

Shared housing is a single housing unit occupied by an assisted family and another resident or residents. The shared unit consists of both common space for use by the occupants of the unit and separate private space for each assisted family.

Occupancy

An assisted family may share a unit with other persons assisted under the housing choice voucher program, or with other unassisted persons. The owner of a shared housing unit may reside in the unit, but housing assistance may not be paid on behalf of the owner. The resident owner may not be related by blood or marriage to the assisted family. If approved by the PHA, a live-in aide may reside with the family to care for a person with disabilities.

HQS

HQS for the housing choice voucher program apply, with the following exceptions:

- *Facilities Available for the Family*: Facilities available to the assisted family, whether shared or private, must include a living room, a bathroom, and food preparation and refuse disposal facilities.

- *Space and Security*: The entire unit must provide adequate space and security for all assisted and unassisted residents. The private space for each assisted family must contain at least one bedroom for each two persons in the family. The number of bedrooms in the private space of an assisted family must not be less than the family unit size. A 0-bedroom or 1-bedroom unit may not be used for shared housing.

Payment Standard and HAP Calculation

The payment standard for a family in shared housing is the lower of the payment standard for the family unit size or the pro-rata share of the payment standard for the shared housing unit size. The pro-rata share is calculated by dividing the number of bedrooms available for occupancy by the assisted family in the private space by the total number of bedrooms in the unit.

DETERMINING THE PAYMENT STANDARD IN SHARED HOUSING

Rule: The payment standard is the lower of the payment standard for the family unit size or the pro-rata share of the payment standard for the shared housing unit.

Example: household includes mother and 8 year old daughter
Shared housing unit size: bedrooms available to assisted family= 2
Total bedrooms in the unit: 3
2 Bedrooms for assisted family
÷ 3 Bedrooms in the unit
.667 pro-rata share

2 BR payment standard: $400
3 BR payment standard: $565
$565 x . 667 (pro-rata share) = $377
$377 is lower than the $400 payment standard for the 2 BR family unit size
$377 is the payment standard used to calculate the HAP

The HAP for a family in shared housing is the lower of the TTP minus the payment standard or the TTP minus the gross rent. The utility allowance for an assisted family living in shared housing is the pro-rata share of the utility allowance for the shared housing unit.

CALCULATING THE HAP AND UTILITY ALLOWANCE IN SHARED HOUSING

Household is mother and daughter from example above.
Actual rent charged: $250
TTP for the household: $275
Payment standard (from above): $377
Applicable 3BR utility allowance: $175

$175 (3 BR utility allowance) x .667 (pro-rata share) = $117 utility allowance for assisted family

$117 + $250 = $367 Actual rent charged plus utility allowance (gross rent)

$377 (payment standard) - $275 (TTP) = $102

$367 (gross rent) - $275 (TTP) = $92
HAP = $92

The rents paid for families living in shared housing are subject to generally applicable standards for rent reasonableness. The rent paid to the owner for the assisted family must not exceed the pro-rata portion of the reasonable rent for the shared unit. In determining reasonable rent, the PHA should consider whether sanitary and food preparation areas are private or shared.

DETERMINING RENT REASONABLENESS AND PRO-RATA SHARE IN SHARED HOUSING

Household is mother and daughter from example above.

The reasonable rent for a 3-BR unit of this quality in this neighborhood is $570.

$570 x .667 (pro-rata share) = $380 reasonable rent for 2 BR share for assisted family

Gross rent for the assisted family = $367

The gross rent for the assisted family ($367) does not exceed the pro-rata share of the reasonable rent for the shared housing ($380).

17.6. COOPERATIVE HOUSING

Description

Cooperative housing is owned by a nonprofit corporation or association, where a member of the corporation or association has the right to reside in a particular apartment and to participate in management of the housing.

Occupancy

There are no program restrictions on who may occupy a cooperative housing unit.

HQS

All housing choice voucher program HQS apply to cooperative housing units. There are no additional HQS requirements.

Payment Standard and HAP Calculation

The payment standard for a cooperative housing unit is the payment standard for units of the same bedroom size on the PHA's payment standard schedule.

The HAP for a cooperative housing unit is the lower of the payment standard minus the TTP or the monthly carrying charge for the unit, plus any utility allowance, minus the TTP. The monthly carrying charge includes the member's share of the cooperative debt service, operating expenses, and necessary payments to cooperative reserve funds. The carrying charge does not include down-payments or other payments to purchase the cooperative unit or to amortize a loan made to the family for this purpose.

The rent for a cooperative housing unit must be reasonable based on rents for comparable unassisted units.

17.7. MANUFACTURED HOMES

Description

A manufactured home is a manufactured structure, transportable in one or more parts, that is built on a permanent chassis, is designed for use as a principal place of residence, and meets housing choice voucher program HQS. Program provisions for the leasing of manufactured homes apply when the family leases the manufactured home unit and the manufactured home space.

Occupancy

There are no program restrictions on who may occupy a manufactured home. The PHA must allow a family to lease a manufactured home and space with assistance under the program. The PHA may provide assistance to a family that owns the manufactured home and leases only the space. However, the PHA is not required to provide such assistance. (See Section 17.8 below.)

HQS

The manufactured home must meet all HQS performance requirements and acceptability criteria. In addition, the following requirements apply:

> *Manufactured Home Tie-Downs*: A manufactured home must be placed on the site in a stable manner, and must be free from hazards such as sliding or wind damage. The home must be securely anchored by a tie-down device that

distributes and transfers the loads imposed by the unit to appropriate ground anchors to resist overturning and sliding.

Payment Standard and HAP Calculation

The payment standard for a manufactured housing unit and space is the payment standard for units of the same size on the PHA's payment standard schedule.

The HAP for a manufactured home is the lower of the payment standard minus the TTP or the gross rent minus the TTP. The rent paid to the owner includes the rent for the unit, for the manufactured home space, and maintenance, services, and utilities that the owner provides under the lease.

The PHA must determine that the rent paid to the owner for a manufactured home is reasonable based on rents for comparable unassisted units.

17.8. MANUFACTURED HOME SPACE RENTAL

Description

A PHA may provide rental assistance to a family that owns its own manufactured home and leases only the manufactured home space. For families leasing the manufactured home space under the housing choice voucher program, the rent to the owner includes payment for maintenance and services that the owner provides under the lease for the space. The rent to the owner does not include the cost of utilities and trash collection, but if these are provided by the owner, the owner may charge the family a separate fee. Otherwise, the tenant receives a utility allowance for any tenant-paid utilities.

Occupancy

Although PHAs are not required to provide assistance to families who own their manufactured home and lease the home space, there are no program restrictions as to who may receive assistance for the rental of a manufactured home space.

In determining the annual income of families leasing manufactured home spaces, the value of the family's equity in the manufactured home in which the family resides is not counted as a family asset.

HQS

The manufactured home and space must meet all HQS performance requirements and acceptability criteria. In addition, the following requirements apply:

Manufactured Home Tie-Downs: A manufactured home must be placed on the site in a stable manner, and must be free from hazards such as sliding or wind damage. The home must be securely anchored by a tie-down device that

distributes and transfers the loads imposed by the unit to appropriate ground anchors to resist overturning and sliding.

Payment Standard and HAP Calculation

The FMR for a manufactured home space is generally 40 percent of the published FMR for a 2-bedroom unit or, where approved by HUD, the 40th percentile of the rental distribution of manufactured home spaces for the FMR area. The PHA may establish a payment standard for manufactured home spaces that is between 90-110 percent of the FMR for manufactured home spaces.

The PHA must establish utility allowances for manufactured home space rental. For the first 12 months of the initial lease term only, the allowance must include an amount for a utility hook-up charge if the family actually incurred a hook-up charge because of a move. This allowance will not be given to a family that leases in place. Utility allowances for manufactured home space must not include the costs of digging a well or installing a septic system.

The HAP for a manufactured home space under the housing choice voucher program is the lower of the payment standard minus the TTP or the (gross) manufactured home space rent minus the TTP. The space rent is the sum of the rent to the owner for the manufactured home space, any charges for maintenance and management provided by the owner, and the utility allowance for tenant-paid utilities.

Initially, and annually thereafter the PHA must determine that the rent for the manufactured home space is reasonable based on rents for comparable manufactured home spaces. The PHA must consider the location and size of the space, and any services and maintenance to be provided by the owner. By accepting the monthly HAP check, the owner certifies that the rent does not exceed rents charged by the owner for comparable unassisted spaces in the manufactured home park or elsewhere.

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CHAPTER 18
ALLOWANCES FOR UTILITIES AND OTHER SERVICES

18.1 CHAPTER OVERVIEW

In calculating the gross rent for units leased under the housing choice voucher program, as well as the HAP payment for which the family qualifies, the PHA must consider not only the contract rent that is paid to the owner, but also the anticipated cost of any utilities that the tenant family is required to pay. The request for tenancy approval submitted by the owner and the prospective tenant tells the PHA the utilities the tenant will pay for directly, and the utilities that are included in the rent. These provisions are incorporated into the lease and the HAP contract. Any time a change is made in the responsibility for payment of utility expenses, the owner and the tenant must report the change to the PHA so that the contract rent and the utility allowance can be adjusted accordingly.

A PHA is responsible for establishing and maintaining a utility allowance schedule that provides reasonable allowances for tenant-paid utilities. The utility allowance is intended to enable participating families to pay typical costs for utilities and services paid by energy-conserving households occupying units of similar size and type in the same locality. If the family is extravagant in its use of utilities, the additional costs incurred are not the responsibility of the PHA. A family complaining that its utility allowance is inadequate should be counseled about reasonable conservation measures, such as turning down the thermostat at night or setting the air conditioner at a higher temperature during the day when family members are out of the unit. Many utility companies also provide useful materials on energy conservation and/or energy audit services that can help participants identify conditions or practices that result in high utility bills.

Payment of bills for tenant-paid utilities is the responsibility of the family, and any interruption or termination of utility services because of the family's failure to pay is considered a breach of the family's obligations under the housing choice voucher program. The PHA administrative plan should include the PHA's policies regarding the termination of assistance to families who cause their unit to be in violation of HQS because of failure to pay for necessary utilities or services.

18.2 PROGRAM REQUIREMENTS FOR THE UTILITY ALLOWANCE SCHEDULE

A PHA is required to maintain a utility allowance schedule for tenant-paid utilities, tenant-supplied refrigerators and ranges, and other tenant-paid housing services (such as trash collection). The utility allowance schedule must include the utilities and services necessary to provide housing that complies with HQS. In areas where the majority of housing units provide central air conditioning or wiring for tenant-installed air conditioners, the utility allowance schedule must provide an allowance for tenant-paid air conditioning costs. The utility allowance schedule should not include allowances for personal expenses, such as telephone, and non-essential utility costs such as the cost of cable or satellite TV.

The PHA must classify utilities and other housing services according to the following general categories:

- Space heating
- Air conditioning
- Cooking
- Water heating
- Water
- Sewer
- Trash collection
- Other electric
- (Tenant-provided) refrigerator
- (Tenant-provided) range
- Other specified housing services

The cost of each utility and housing service category must be stated separately. For each category, the schedule must take into consideration the type and size of the unit, and the type of utility used.

- *Unit types* each requiring separate utility allowances typically include garden and high-rise apartments, row houses or town houses, end-of-row or semi-detached units, detached units, and manufactured homes.

- *Unit sizes* are classified by number of bedrooms. When calculating the utility allowance for a family, the PHA must use the allowance for the unit size actually leased by the family, rather than the family unit size determined under the PHA's subsidy standards.

- *Type of Utility* generally refers to the type of fuel used. The utility allowance schedule should include allowances for each type of utility or fuel commonly used in the community. If the utility or fuel is available from more than one supplier, the PHA can determine an average cost across all suppliers, or can use different allowances for utilities or fuels purchased from different suppliers.

The PHA's utility allowance schedule must be entered on form HUD-52667, Allowances for Tenant Furnished Utilities and Other Services. Separate forms should be completed for each housing type. Allowances for other electric, water heating, and water/sewer costs will typically be the same across all unit types for each unit size, while the allowance for cooking may vary slightly based on the type of utility. Allowances for heating and air conditioning will vary based primarily on the number of exterior walls exposed and the type of utility. An example of a correctly completed form HUD-52667 for detached units is included as Exhibit 18-1.

Allowances for Tenant-Furnished Utilities and Other Services

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(exp. 9/30/2002)

EXHIBIT 18-1

See Public Reporting Statement and Instructions on back

Locality	Unit Type	Date (mm/dd/yyyy)
Anywhere MN	Detached, Manufactured home	10/01/99

Utility or Service		Monthly Dollar Allowances					
		0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Heating	a. Natural Gas			68	83	106	121
	b. Bottle Gas			75	92	117	133
	c. Oil / Electric			78	95	121	139
	d. Coal / Other						
Cooking	a. Natural Gas			11	13	17	20
	b. Bottle Gas			13	16	20	25
	c. Oil / Electric			14	17	22	25
	d. Coal / Other						
Other Electric				32	39	50	57
Air Conditioning				N/A	N/A	N/A	N/A
Water Heating	a. Natural Gas			25	31	39	44
	b. Bottle Gas			29	35	45	52
	c. Oil / Electric			34	42	53	60
	d. Coal / Other						
Water				15	16	18	20
Sewer				12	12	12	12
Trash Collection				25	25	30	30
Range/Microwave				8	10	10	10
Refrigerator				10	12	14	16
Other – specify				15	15	15	15

Actual Family Allowances To be used by the family to compute allowance.
Complete below for the actual unit rented.

Name of Family
S. Ochs

Address of Unit
Old Canada Hwy
RD3

Number of Bedrooms
4

Utility or Service	per month cost
Heating	$ 121
Cooking	22
Other Electric	50
Air Conditioning	
Water Heating	53
Water	
Sewer	
Trash Collection	30
Range/Microwave	
Refrigerator	14
Other	
Total	$ 105

Previous editions are obsolete

form HUD-52667 (12/97)
ref. Handbook 7420.8

The PHA should maintain copies of all supporting documentation used in determining both the initial allowances and any revisions. Such documentation might include the consumption estimates that are the basis of the dollar allowances, letters or rate schedules from local utility companies, as well as worksheets used to develop the schedule.

A copy of the initial utility allowance schedule, and any later revisions, must be sent to the HUD field office. If directed by HUD, the PHA must revise the utility allowance schedule to correct any errors to update the schedule to reflect changes in utility costs or as necessary.

18.3 ESTABLISHING A UTILITY ALLOWANCE SCHEDULE

When establishing a utility allowance schedule, a PHA should make every effort to base the allowances on actual rates and average consumption estimates that will be adequate to cover expected average utility costs over a twelve month period. (Like the "budget plans" available through many local utility companies, the allowances are based on an estimated full year of usage divided equally over 12 months, although the family's actual usage may fluctuate from month to month.) Information regarding typical utility usage and the cost of utilities and services is generally available through the following local sources:

- Electric utility suppliers
- Natural gas utility suppliers
- Water and sewer suppliers
- Fuel oil and bottled gas suppliers
- Public utility commissions
- Real estate and property management firms
- State and local agencies
- Appliance sales and leasing firms
- Neighboring PHAs

Average Consumption Data

If a PHA is unable to find adequate sources for local information regarding utility consumption, HUD will approve use of national average consumption data. These national average consumption figures represent average amounts for an "average" 2 ½ bedroom unit in a locality that has approximately 4,000 heating degree days and an average local water temperature of 50 degrees. The consumption figures must be adjusted for the size of the dwelling unit. The allowances for units in the PHA's locality may need to be adjusted to reflect the higher or lower cost of utilities resulting from variations in typical outdoor temperatures and/or the temperature of the local water supply. Data on the average number of heating or cooling degree days for the locality (the sum of the number of days that the indoor temperature must be raised or lowered from the outdoor temperature level to maintain a comfortable temperature on each day for which heating or cooling is required) is generally available from the National Weather Service or other local sources. Data on the average local "degree days" will provide a basis for making local adjustments to these average consumption figures.

NATIONAL AVERAGE MONTHLY UTILITY CONSUMPTION FOR A 2½ BEDROOM DWELLING UNIT

Utility Service Category E	Fuel/Utility Units of Measurement	Consumption
I. Electricity		
a. Lighting and Refrigeration	KWH	250-400
b. Cooking	KWH	110
c. Domestic Hot Water	KWH	340
d. Space Heating	KWH	680
e. Air Conditioning	KWH	180
II. Natural Gas and Bottled Gas		
a. Cooking	Therms	8
b. Domestic Hot Water	Therms	21
c. Space Heating	Therms	48
III. Fuel Oil		
a. Domestic Hot Water	Gals.	17
b. Space Heating	Gals.	40
IV. Water		
a. Domestic Use	Gals.	8,000
b. Lawn	Gals.	2,000

Allowances by Unit Size

Whenever possible, consumption data should be obtained for each unit size and type. If consumption data is available only for an average unit size (2 ½ bedrooms), the utility costs should be multiplied by the following factors to determine the costs for a specific unit size:

ADJUSTMENT FACTORS BY UNIT SIZE

Unit Size	Adjustment Factor (Times 2½ BR Monthly Consumption Figure)
0-BR	0.5
1-BR	0.7
2-BR	0.9
3-BR	1.1
4-BR	1.4
5-BR	1.6

Calculating a Utility Allowance

In the absence of reliable third-party average utility expense data, monthly utility allowances can be calculated by multiplying estimated monthly consumption times the local utility rate.

ESTIMATING UTILITY EXPENSE FROM AVERAGE CONSUMPTION DATA

The average consumption of electricity used for domestic hot water is 340 KWH.

At a scheduled rate of $.0552362 per KWH, the *average* monthly allowance for domestic hot water for a 2½ bedroom unit would be:

340 KWH x $.0552362 (rate per KWH)
= $19 (rounded to nearest dollar)

- The allowance for a 0-bedroom unit will be:

  $19 (average 2½ BR cost) x 0.5 (0-bedroom adjustment factor)
  = $10

- The allowance for a 5-bedroom unit will be:

  $19 (average 2½ BR cost) x 1.6
  (5-bedroom adjustment factor)
  = $30 (rounded to nearest dollar)

Utility Rate Schedules

The cost of gas and electricity generally varies according to the amounts consumed, as shown on the utility suppliers' rate schedules. For this reason, it may not be possible to accurately calculate the cost for a utility in any one-service category until the usage of that utility for all service categories is known. For example, a unit with electric heating, may qualify for a lower "All-Electric" rate if electricity is also used for cooking, lighting, refrigeration, and domestic hot water. Rates for gas usage may decline with the volume of gas used, resulting in a lower cost for gas used for heating, cooking, <u>and</u> domestic hot water than for each use considered separately. For convenience in calculating the utility allowances for any combination of utilities, it is recommended that the PHA use the higher rates. Allowances for electric cooking, water heating, and space heating should be calculated using the lower rates at the middle or bottom of the company's rate schedule.

Ranges and Refrigerators

If rental units in the PHA's jurisdiction are typically leased without owner-provided ranges and/or refrigerators, an allowance must be made for the cost to the family of providing its own. Allowances for tenant-provided ranges and refrigerators should be based on the lower of the cost of leasing the equipment or the cost of purchasing it on an installment plan.

Other Utilities and Services

The utility allowance schedule should also provide allowances for all other utilities and services for which, in the PHA's locality, the tenant is typically responsible, and which are required for compliance with HQS. Examples would be firewood used as a primary heating fuel, or the required annual flushing of a septic tank in an area without public sewers.

18.4 USING THE UTILITY ALLOWANCE SCHEDULE

The PHA should provide a utility allowance schedule to families receiving a housing choice voucher. The schedule will allow the family to calculate the estimated cost for tenant-paid utilities, and to compare gross rents for various units with local payment standards and personal affordability limits.

When a family has located a unit and submitted a request for tenancy approval (form HUD-52517) the PHA can calculate the actual utility allowance for the family.

Section 11 of the request for tenancy approval as illustrated on the following page will indicate the utilities the tenant must pay and the utilities the owner will cover.

Using the information from the request for tenancy approval and the utility allowance schedule (see Exhibit 18-1) the PHA can compute the utility allowance for a two bedroom unit for the family submitting a request for tenancy approval using the information below.

Heating	$ 68
Cooking (gas)	11
Water Heating (gas)	25
Other Electric	32
Refrigerator	10
Utility Allowance	$ 146

11. Utilities and Appliances

The owner shall provide or pay for the utilities and appliances indicated below by an "**O**". The tenant shall provide or pay for the utilities and appliances indicated below by a "**T**". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify fuel type	Provided by	Paid by
Heating	☑ Natural gas ☐ Bottle gas ☐ Oil or Electric ☐ Coal or other		T
Cooking	☑ Natural gas ☐ Bottle gas ☐ Oil or Electric ☐ Coal or other		T
Water Heating	☑ Natural gas ☐ Bottle gas ☐ Oil or Electric ☐ Coal or other		T
Other Electric			T
Water		O	O
Sewer		O	O
Trash Collection		O	O
Air Conditioning		O	O
Refrigerator		T	T
Range/Microwave		O	O
Other (specify)		N/A	N/A

Because the allowances for utilities and services are subject to change over time, the utility allowance should be recalculated every year at the family's annual reexamination. The PHA should ensure that the most recent update of the utility allowance schedule has been used to calculate the family's utility allowance, and that there has been no change in the utilities and allowances supplied by the tenant.

18.5 USING A HIGHER UTILITY ALLOWANCE AS A REASONABLE ACCOMMODATION

Housing choice voucher program regulations require a PHA to approve a utility allowance amount higher than the applicable amount on its utility allowance schedule if a higher allowance is needed as a reasonable accommodation to make the program accessible to and usable by a family member with a disability. The family must request the higher allowance, and should provide the PHA with sufficient information to determine the amount of additional allowance

required. For example, if it determined that a family member had a disability that required such accommodation, the PHA would be required to approve a family's request for an allowance for air conditioning in a locality where the majority of rental units do not have air conditioning.

18.6 REVIEWING AND REVISING UTILITY ALLOWANCES

A PHA must review its utility allowance schedule annually, and must revise its allowances at other times when there has been a change of 10 percent or more in the utility rates or fuel costs since the last revision of the schedule. To conduct a utility allowance review, the PHA must obtain new rate schedules or quotes from utility and fuel suppliers. These new rates should be compared with the rates previously used to calculate the last revision to the utility allowance schedule to determine whether an adjustment is needed.

DETERMINING WHEN A REVISION TO THE UTILITY ALLOWANCE SCHEDULE IS REQUIRED

The Anywhere Housing Authority is conducting its FY 2000 annual review of utility rates in its locality. Data on heating oil prices for the last three years are as follows:

	Average Price per Gallon	Utility Allowance Revised?
FY 1997	$0.77	YES
FY 1998	$0.82	NO
FY 1999	$0.84	NO
FY 2000	$0.85	?

Based on the increase in oil prices of more than 10 percent since FY 1997, the utility allowances for oil should be increased.

When a utility allowance adjustment is required, it should be calculated in the same way as was the original allowance. It should not be necessary to revise the consumption figures used, as there is generally very little variation in these figures over time. The new rates should be applied to the consumption figures for the locality to calculate the revised new utility allowances.

The revised allowances will be used to calculate a family's gross rent at its next annual reexamination.

18.7 RELATED SEMAP INDICATORS

As part of the SEMAP assessment process, PHAs are required to certify that they maintain up-to-date utility allowance schedules, and that they use them to calculate correct utility allowances for participating families.

SEMAP Indicator 4, *Utility Allowance Schedule*, requires the PHA's certification that an annual utility allowance review has been conducted and that the utility allowance schedule has been adjusted where there was a change of 10 percent or more in the rate for a utility since the last revision. This requires that the PHA conduct an annual review and adjust the allowances as appropriate. The PHA should retain all information used in the annual review, whether or not revisions are made, and should document any revisions made.

Among other factors, SEMAP Indicator 3, *Determination of Adjusted Income*, measures the extent to which the PHA uses the appropriate utility allowances to determine gross rent for the unit leased. This requires that the PHA, in its supervisory quality control reviews, verify that the correct utility allowances were used in calculating the utility allowances for the families reviewed.

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CHAPTER 19
HUD REPORTING REQUIREMENTS, PHA INTERNAL MONITORING REQUIREMENTS

19.1 CHAPTER OVERVIEW

The adage "what gets measured, gets managed" is true from the perspective of both HUD and PHA managers. Through its reporting requirements, HUD tells PHAs how their performance will be measured and what standards of performance HUD expects. Similarly, PHA managers help staff understand priorities and focus on key performance issues by identifying performance measures and making it clear how close or far from the target current performance may be.

Section 1 of this chapter describes PHA responsibilities to report to HUD through the Multifamily Tenant Characteristics System (MTCS) and identifies reporting required for the Section Eight Management Assessment Program (SEMAP). These two tools are HUD's primary mechanisms for monitoring and judging PHA performance for the housing voucher program. Section 2 recommends additional internal tracking and monitoring that can help PHAs insure that their programs are effectively managed.

Section 1: HUD Reporting Requirements

19.2 MULTIFAMILY TENANT CHARACTERISTICS SYSTEM (MTCS) REPORTING

The MTCS is the Department's automated system for recording demographic information about assisted families and data about the units they occupy. HUD uses MTCS data to monitor and assess each PHA's performance. It will be used to score five indicators in SEMAP and also provides documentation for budget reviews and funding decisions.

In addition, HUD's Tenant Eligibility Verification System (TEVS), matches program participant income from MTCS with information from the Social Security Administration (SSA) and the Internal Revenue Service (IRS) to identify possible fraudulent reporting.

MTCS AN OVERVIEW

- *PHAs must submit information about all assisted families and the units they occupy.*
- *MTCS generates more than 20 standardized reports that summarize PHA operations. These reports are available to PHAs to support program monitoring.*
- *PHAs can access the data that is submitted to generate "ad hoc" reports.*
- *For a PHA to be scored under SEMAP, MTCS must receive data on at least 85 percent of the PHA's participants.*

Electronic Transmission

PHAs must submit the data required on the Family Report form HUD-50058 to HUD electronically. PHAs with 100 units or more are required to submit data to MTCS at least once a month. PHAs with fewer than 100 units must submit data at least once a quarter. PHAs may use software provided by HUD, the Family Reporting Software (FRS), or software the PHA purchases or develops. FRS can be downloaded from the MTCS web site.

HUD requires PHAs to submit data for each of the following actions:

- Voucher issuance
- Voucher expiration
- New admission
- Annual reexamination
- Interim reexamination
- Portability move-in
- Portability move-out
- End of participation
- Other change of unit
- FSS enrollment or exit

MTCS summarizes the data received and generates standard reports. As data is received, MTCS validates each record to ensure it is in the correct format and contains required field entries. When errors are detected, MTCS transmits error notifications to the PHA. A PHA experiencing problems with transmission can post questions on the Data Transmission Forum on the MTCS web site or call the MTCS hotline.

Minimum Reporting Rate

PHAs are required to submit form HUD-50058 data for 100 percent of families enrolled in the housing choice voucher program. Prompt and complete reporting is essential. The minimum acceptable reporting rate is 85 percent. PHAs that fail to achieve the minimum reporting rate are subject to sanctions. PHA performance on five of the SEMAP indicators is verified by data provided to MTCS. A rating of zero will be assigned to these five indicators if the PHA's reporting rate falls below 85 percent.

HUD measures MTCS reporting performance as of June 30 and December 31 each year. A PHA that will not meet 85 percent reporting on those dates may submit a written request for forbearance. Forbearance requests must explain why the PHA is unable to meet the reporting mandate and identify specific steps it has taken or intends to take to improve performance. The forbearance request must also include measurable monthly goals for improving reporting performance and show that the PHA plans to meet the minimum reporting rate by the next semi-annual reporting assessment. Forbearance requests for the semi-annual reporting period in June must be received by HUD no later than August 15 of the same calendar year, and for the December reporting period by February 15 of the following year. Forbearance requests are sent to the HUD field office. PHAs who receive a forbearance but fail to meet the minimum reporting requirement by the end of the next semi-annual reporting assessment are subject to targeted review by HUD and possible reduction of administrative fees.

SUBMITTING FORBEARANCE REQUESTS

- *For the June 30 report, submit the request by August 15 of the same year.*
- *For December 31 report, submit requests by February 15 of the following year.*

Any forbearance request after a PHA's second request must be approved by the headquarters office of Public and Assisted Housing Delivery. A PHA that does not achieve 85 percent reporting and requests an extended forbearance period must demonstrate substantial progress in reporting by achieving an improvement of at least 25 percentage points over its previous reporting rate. PHAs that fail to meet the 85 percent minimum reporting rate at the end of an assessment period will be subject to a 10 percent reduction in the on-going administrative fees for each of the six months of that period. For example, a PHA showing a reporting rate of 82 percent at the end of June is subject to a 10 percent reduction in on-going administrative fees for each of the preceding six months. This would be true regardless of whether the PHA had achieved an 85 percent reporting rate during one or more of the five months before June.

Accessing MTCS Reports Through the Internet

PHAs can now access more than 20 standardized reports as well as form HUD-50058 raw data through the internet. The general public has access only to a summary report that provides aggregate demographic and income information about tenants in the housing choice voucher, moderate rehabilitation, public housing, and Indian housing programs.

What MTCS has to offer:

One of MTCS's most important contributions is providing PHAs and HUD with common information about the status of each PHA's program. Although MTCS does not cover all aspects of PHA operations, both parties can literally "read from the same page" and have in-depth conversations about PHA performance and progress. The standardized reports permit PHAs to identify strengths and weaknesses in their programs and provide aggregate information to the public, other service providers, and the media. MTCS has recently begun to provide historical information that will assist PHAs to identify trends in family characteristics and to track the progress of the program over time.

HUD and PHAs can generate four basic types of reports:

(1) Summary reports which are intended to provide general information on program size and characteristics and also to highlight potential problems with program operation or compliance. For example:

- *The Resident Characteristics* report provides basic demographic information about program participants (race, ethnicity, family size, household type, household size, bedroom size, distribution of income in ranges, average tenant payment). It also reports the percentage of households for which the PHA has submitted form HUD-50058 to MTCS. The same kind of information is available for a subset of families on the *New Admissions* report and the *Families Ending Participation* report.

- The *Key Management Indicators* report provides summary information about rents and family rent burden and also identifies potential management or compliance problems including rent calculation errors, late HQS inspections, late reexaminations, ineligible admissions, and unit size assignment errors.

- Other summary reports provide detailed information on rent burden, mobility and portability, citizenship, and special housing types.

(2) Detail reports provide the names and key information about families who were included as discrepancies in the summary reports, so the PHA can research and correct the discrepancies. For example, if the *Key Management Indicators* report shows that 15 percent of the PHA's annual reexaminations are late, the PHA can request the *Late Reexaminations Discrepancy* report to obtain the names of the specific families whose reexaminations are late. (Experience has shown that some of these families are households who have left the program but for whom an end of participation report was not submitted.) By using these two reports, the PHA can correct errors and identify the actual number of families whose reexaminations are late.

(3) FSS reports covering enrollments, enrollee progress, delinquencies, and exits from the program.

(4) SEMAP Indicators report covering the five SEMAP indicators that can be measured through MTCS data.

The standardized reports make valuable summary information easily available. With more effort PHAs can also access and analyze form HUD-50058 raw data by making ad hoc queries. Through the "Ad Hoc Selection" on the MTCS website, a PHA can choose from a detailed listing of form HUD-50058 data fields or variables and create a customized report. Ad hoc queries and data analysis can be time consuming but may be necessary to diagnose why MTCS errors and discrepancies exist. Sometimes errors and discrepancies can be resolved only by thorough analysis of MTCS raw data.

A critical feature of the Ad Hoc Selection Menu is that PHAs can download data into common software programs, such as Excel, Access, or Lotus. By downloading and converting the data, the PHA can further sort and analyze it, correct problems, and produce additional management reports.

MTCS Resources and Technical Assistance

HUD offers a variety of tools to assist PHAs in using MTCS effectively. The primary resource is the MTCS web page. Through the MTCS home page PHAs can access:

- MTCS Web Reports Guide provides step-by-step instructions on how to access, retrieve, and print MTCS reports. It also contains detailed definitions of report data fields and error notifications.

- MTCS on-line forum permits users to pose questions directly to MTCS technical staff and other users about problems encountered in accessing and analyzing form HUD-50058 raw data and reports. MTCS staff regularly check for and respond to new questions and messages.

- News flashes and monthly updates are also posted on the website. These news flashes contain important updates or clarifications.

In addition, an MTCS help desk permits MTCS users with transmission problems to directly contact MTCS technical staff.

Section 2: PHA Internal Monitoring and Reporting

19.3 MANAGING SEMAP

HUD uses SEMAP to assess the performance of housing choice voucher programs across the country and identify those PHAs that need technical assistance. Each PHA can use SEMAP in the same manner, to assess performance in each SEMAP area and identify program functions where improved performance is required.

HUD requires PHAs to certify once each year to the performance level the PHA has achieved for each SEMAP indicator. A PHA that measures its performance monthly for each SEMAP indicator will have time to improve performance before its annual SEMAP certification is submitted.

For most indicators, a PHA can use the same approach for internal monitoring of SEMAP performance as HUD uses for scoring.

HUD uses MTCS data to score five of the indicators. A PHA can score itself on these indicators using the data available through MTCS.

For five of the remaining indicators, the PHA can adopt a sampling technique similar to the quality control sampling required for the SEMAP certification. A supervisor or a staff person who did not perform the work, but is knowledgeable about the program requirements being measured should do the sampling.

For Indicators 4 (Utility Allowance Schedule), 7 (Expanding Housing Opportunities) and 8 (Payment Standards), a review to inspect the documentation for the indicator will provide evidence that requirements have been met.

19.4 MANAGING BY THE NUMBERS

This section discusses key housing voucher activities and identifies the PHA's information needs, reporting options, and sources of information for developing effective tracking and monitoring tools for each. High quality program management involves collecting and using information for three distinct purposes: (1) tracking—knowing the status of each family and

transaction and analyzing the processing times for each step; (2) quality control—assuring that each transaction is executed completely and correctly; and (3) assessment of program effectiveness and outcomes—determining whether program policies and procedures and staff efforts result in the achievement of the PHA's goals and quality services for its clients.

MTCS can serve as a source for some, but not all, of a PHA's data needs. For information that is not kept in MTCS, the formats and systems used are as varied as PHA operations across the country. Some PHAs are highly automated, while others rely primarily on logs and other paper controls. The tracking and analysis formats below illustrate the uses of data and not the manner in which the information can be recorded. They are not required formats or forms. Automated databases obviously provide the PHA greater capacity for recording and analyzing data but most of the analyses recommended can also be completed manually for smaller programs.

WHY PERFORMANCE MEASUREMENT?

Effective performance measurement enables the PHA to:

- *Improve accountability of staff, customers, and contractors;*
- *Accurately assess program effectiveness and make strategic program improvements;*
- *Refine budgets and maximize scarce funding; and*
- *Share success stories with HUD and the community.*

19.5 PROCESSING TIME FRAMES

The ability to track family progress and the status of key transactions is the foundation of effective program management and good customer service. Ultimately each PHA should establish timeline goals and monitor performance against those goals. Initially, however, most PHAs can gain insights into program operations by analyzing processing times. At a minimum, PHAs should develop tracking procedures that measure the following time spans:

- Family application to selection from the waiting list;
- Initial interview to voucher issuance;
- Issuance to request for tenancy approval;
- Request for tenancy approval to lease effective date; and
- Request for inspection to completion of inspection.

The MTCS New Admissions report provides waiting times (from application to lease execution) by bedroom size, race and ethnicity.

Reports on processing time frames are often displayed in ranges as shown below, and may be reported as numbers or percentages. Automated tracking enables the PHA to report more detail, such as time frames by bedroom size or race and ethnicity.

Table A

Interview to Voucher Issuance by Number of Households		
Days	This Period	This Year
45 or less	25 (58%)	200 (60%)
46-60	13 (30%)	121 (36%)
61+ days	5 (12%)	10 (4%)
TOTAL	43	331

Table B

Voucher Issuance to Request for Tenancy Approval by Number of Households (Days)				
Race/ Ethnicity	<30	30-60	61-90	90+
White	5	28	36	2
Black	5	14	16	55
Nat. Am		1		
Asian/PI			3	
Hispanic	2	5	24	
Other				
TOTAL	12	48	79	57

Table A, above, reports the number/percentage of households that progressed from the initial interview to voucher issuance measured in increments of days.

The analysis of the timeframe from interview to issuance suggests that the length of time is increasing, and might prompt a manager to determine why this is so. The numbers could reflect either high or low performance depending upon what goals the PHA has established for this indicator.

Table B, above, reports search time using household demographics.

The analysis of the timeframe from voucher issuance to request for tenancy approval shown above indicates the search process differs by race and ethnicity. Managers should be cautious about drawing quick conclusions based upon these numbers. Although the report highlights a concern that managers should investigate, it doesn't explain the cause of the difference, which could be the result of many factors including discrimination on the part of owners, differing bedroom size requirements of the families, or the specific circumstances of particular families.

19.6 PROGRAM OUTREACH AND WAITING LIST MANAGEMENT

Each PHA may develop its own methodology for maintaining and monitoring the waiting list. Some PHAs use an automated list, while others rely upon a manual log. The minimum information needed to assess PHA compliance with waiting list include:

PHA Waiting List									
App #	App Date	Appl Name/ Address	Bedroom Size	Preference Codes	Race/ Ethnicity	Date Called	Date Ineligible/ Withdrawn	Date Voucher Issued	Date Unit Leased

Several issues related to outreach and waiting list management and the methodology for analyzing them are discussed below.

Issue #1: Are outreach efforts appropriately reaching the eligible population?

Key Indicators and Analytical Methods

- Within a reasonable margin, the demographics of families on the waiting list should mirror the demographics of the low-income population in the community. If waiting list demographics are significantly different than the eligible low-income population, the PHA may be failing to reach certain types of families.

  Analysis: Compare the demographics of the waiting list (not available through MTCS) to U.S. Census or local planning data on the low-income population in the community.

- Within a reasonable margin, the demographics of program participants in each of the PHA's programs should mirror each other.

  Analysis: Use the MTCS Resident Characteristics Report to compare the characteristics of families in each of the PHA's programs. Differences do not necessarily indicate fair housing non-compliance but PHAs should determine the cause where significant differences exist.

Issue # 2: Is the PHA maintaining an appropriate lease-up rate?

Key Indicators and Analytical Methods

- The target lease-up rate is at least 98 percent of units under ACC. The lease-up rate is most affected by three key variables: (1) the turnover of vouchers; (2) the success rate of voucher holders; and (3) search time required to find an acceptable unit.

  Analysis of Turnover: Turnover is the number of vouchers that become available for new families because previous participants are no longer using their voucher subsidy. PHAs should record the number of vouchers that turn over each month and develop historical information that can help estimate future turnover. Because turnover is higher in some months of the year than in others, a month-by-month analysis is needed.

  Analysis of Success Rates: The success rate is the percentage of all households issued a voucher who actually leases a unit. For example, if one out of every two families issued a voucher leases a unit, the success rate for the program is 50 percent. Although most software packages marketed for the housing choice voucher program do not track families between the time the applicant is drawn from the waiting list and the execution of the lease and HAP contract, PHAs can monitor success rates relatively easily by using a manual log or spreadsheet to track family progress following voucher issuance. Generally, a tracking log or spreadsheet would include some or all of the information below.

Voucher Success Rate: Searcher's Log									
Family Name	Date Voucher Issued	Extension Issued	Extension Issued	RFTA Rec'd	Inspection Passed	HAP Eff'tive Date	Date Voucher Expires	Success-ful	Not Success-ful

Analysis of Search Time: The number of vouchers that need to be issued in a given month is also affected by the expected search time. The tracking system shown above also generates the information needed to calculate search time.

Issue # 3: Is the waiting list managed effectively?

Key Indicators and Analytical Methods

- Names and contact information on the waiting list should be current enough that staff do not waste valuable time trying to contact families who are not interested or who do not qualify for the program.

  Analysis: Monitor the percentage of applicants called from the waiting list who fail to respond and the percentage of applicants who respond and are determined ineligible for assistance (number of applicants withdrawn or determined ineligible divided by the number called). A sufficient number of eligible families should be available whenever vouchers become available, without a delay to determine eligibility.

  Analysis: To calculate the percentage of eligible families that will successfully lease units, track the number that completes each step in the process. Determine the percentage of families scheduled for briefing that attend, the percentage of briefed families that are issued vouchers, and the percentage of issuances that result in leases and HAP contracts. The best way to monitor the steady flow of families from the waiting list is to establish a briefing schedule in advance and a simple report on the number of families briefed compared to those scheduled. Wherever there is a significant discrepancy from the plan, staff should provide an explanation. In the example below, the manager reviewing this briefings report should ask for an explanation of the low briefing figure in March and April.

DECREASE COSTS BY MONITORING LEASE-UP RATES

- *Track the number of waiting list applicants who respond. If non-response is high, the waiting list information may need to be updated.*
- *Track the number of applicants who respond but are determined ineligible. This will enable you to estimate a "failure" rate and call in enough families to assure a sufficient number of eligible families.*

PHA Report on Briefings: Briefings Planned (P) vs. Families Briefed (B)											
Jan		**Feb**		**Mar**		**Apr**		**May**		**June**	
P	**B**	**P**	**B**	**P**	**B**	**P**	**B**	**P**	**B**	**P**	**B**
30	**27**	**30**	**25**	**30**	**12**	**30**	**10**	**30**	**28**	**30**	**31**

Issue # 4: Are families being selected from the waiting list in conformance with PHA policy

Key Indicator and Analytical Methods

- Each family must be selected from the waiting list in conformance with PHA policy and HUD program rules.

  Analysis: SEMAP requires the PHA to draw two samples: one of applicants selected from the waiting list and a second of families admitted to the voucher program. SEMAP rules specify the minimum number of files in each sample based on the number of applicants selected and the number of families leasing their first units under the voucher program. The review must ascertain whether staff have correctly documented each applicant's preference qualifications and have selected applications in the appropriate order based on the PHA's written selection policy.

19.7 INCOME AND ELIGIBILITY VERIFICATIONS AND SUBSIDY CALCULATIONS

Accurate verification of income and allowances is essential to ensure that subsidy dollars are well used. Careless verification efforts may result in under-reporting of family income or failure to provide families full credit for all allowances for which they qualify. SEMAP Indicator 3 requires a review of participant files to determine the completeness of income verifications.

Key Indicators and Analytical Methods

The MTCS *Key Management Indicators Report* identifies three types of discrepancies that affect subsidy payments. MTCS identifies:

- Households assigned a bedroom size that appears inappropriate for family size;

- Households that appear ineligible based upon income; and

- Errors in subsidy calculations based upon the income and allowance information reported.

  Analysis: Discrepancies in any of these categories can be due to a lack of thoroughness in conducting the interview, inadequate verification, mathematical mistakes or data entry errors.

The SEMAP rule specifies the minimum number of participant files that must be sampled based on the number of leased units. If a PHA determines that it needs to review an additional sample to monitor accuracy throughout the year, the additional sample might be drawn as a percentage of each staff member's workload. Whatever number of transactions it reviews, the PHA should provide regular feedback to staff and should require staff to correct errors in order to improve overall accuracy rates. PHAs should also analyze errors common to all staff to determine training needs and to improve existing training efforts.

19.8 ANALYZING THE LEASING PROCESS

PHAs need to be concerned about the following processing times for the efficiency of their programs and in order to provide good customer service to owners and families:

- Voucher issuance to RTA
- RTA to inspection request
- Inspection request to inspection and approval of unit
- Lease execution to HAP contract
- Effective date of lease and HAP contract
- HAP contract execution to initial payment to owner.

> DECREASE COSTS BY MONITORING SUCCESS RATES
>
> *Follow the activities of searchers and track their success in leasing units*
>
> - *Record each request for inspection and the result of each inspection.*
> - *Monitor the number of units rejected for failure to meet HQS or rent reasonableness.*
> - *Use this information to determine what help searchers may need to find appropriate units and the information needs of owners participating in the program.*

When a PHA is experiencing a low rate of leasing success, a variety of information may be helpful in determining the best response to obtain improved results. Information on the vacancy rate for units in the local rental market that rent within FMR limitations is pertinent.

Information on the percent of units that pass the initial HQS inspection, the percentage that eventually pass, and the percentage that fail and are never leased under the program is also helpful. If a high rate of inspection failures is contributing to a low rate of leasing success, working to improve owners' understanding of HQS may improve searchers' success. Information on success rates for inspections is available from the leasing log described below.

In the private rental market, most owners expect to fill a unit the day after it becomes vacant to avoid losing rental income. Especially in a tight housing market, a PHA must be able to move rapidly through its leasing procedures if voucher holders are to be successful. HUD requirements also focus on the importance of prompt response. PHAs with 1250 or fewer units are required to conduct the initial inspection within 15 days after receipt of the request for inspection. Larger PHAs should strive to respond at least as quickly but are required to conduct the initial inspection within "a reasonable time" after receipt of the inspection request.

<u>Key Indicators and Analytical Methods</u>

- Each unit must pass the HQS inspection on or before the lease effective date.
- The lease between the owner and the tenant must be executed before the lease effective date.
- The HAP contract must be fully executed no later than 60 days after the lease effective date.

Analysis: Some software systems will track some of the information required for these activities. Few, if any, will track the date the HAP contract is signed. A leasing log, maintained manually or on spreadsheet software, can track data not provided by existing systems.

Leasing Log									
a Family Name, ID #	b Date RFTA Submitted	c Initial Inspection Date	d Re-Inspection Date	e Inspection Pass Date	f Lease Effective Date	g HAP to Owner Date	h Signed HAP Returned	i HAP Executed Date	j Days from f to i

A PHA needs this data to be sure that its staff is productive and that it is providing a reasonable service to both owners and participants. A PHA that can demonstrate that it moves from request for tenancy approval to lease up in 15 days or less will find that it has many potential owners for its program.

This log will also provide information useful for analyzing factors affecting leasing success rates as described above, and facilitates coordination between the PHA staff who must work together to achieve lease-up (i.e., intake and inspections staff). In addition, it provides part of the information required when a PHA needs to analyze the adequacy of its inspections staffing and its inspections scheduling procedures.

19.9 ANNUAL HQS INSPECTION EFFECTIVENESS AND COMPLIANCE

To ensure performance in compliance with SEMAP requirements, PHAs need to monitor:

- The quality of HQS inspections;
- Enforcement of HQS standards;
- The completion of all annual inspections at least annually; and
- Abatements of housing assistance payments within required time frames.

SEMAP requires that the PHA select a sample of completed inspections and conduct quality control reinspections within three months of the initial inspection to ensure that all inspectors are correctly applying HQS standards. For SEMAP, the PHA is also required to select a sample of participant files from among all files for units that failed the annual inspection to ensure that HQS standards have been enforced.

As discussed above, the PHA should select its quality control sample to include all types of inspections (initial, annual, complaint) and a standard percentage of each inspection staff's workload. Clear feedback to staff, requirement to correct identified errors, and use of quality control results in staff performance evaluations are elements of a good quality control system.

PHAs can use MTCS data to monitor the completion of all annual inspections within 12 months of each previous inspection. A log that tracks all steps in the annual inspections process, including initial and follow-up inspections, abatement and unit approval is needed to monitor timely completion of the process. A log is essential to track the status of abatements and to document compliance with SEMAP requirements for HQS enforcement.

19.10 ANNUAL REEXAMINATIONS COMPLETION

PHAs can obtain information on the timeliness of completed reexaminations from MTCS discrepancy reports. In addition to monitoring the information MTCS reports on late reexaminations, there are benefits to requiring staff to use a reexamination log to monitor each step in the reexamination process.

Family/#	1st letter Date	Interview						Termination		Verifications								Date Rent Increase Letter Sent
										1		2		3		4		
		Interview Date	Compl't	No-Show	2nd Letter Date	Interview Date	No-Show	Letter Date	Effective Date	Date Received Sent		Date Received Sent		Date Received Sent		Date Received Sent		

When completing reexaminations, staff must use time management techniques to keep track of numerous transactions for each family and manage several months of re-examinations simultaneously. If the PHA keeps a log day to day, it is easy for staff and supervisors to see exactly what has been completed and what needs priority attention in order to meet reexamination deadlines.

19.11 MONTHLY REPORTING

Information obtained from MTCS and the PHA's own monitoring and quality control systems should be summarized and included in regular reports provided to managers, executive staff and commissioners. Key program management data should be reviewed on a monthly basis. Managers need detailed information; commissioners require only summary information. Organizing data to show your SEMAP score based on performance at the end of the month and cumulatively for the fiscal year is a good way to discuss monthly reports. Use of the SEMAP certification form for monthly reporting may focus staff on areas needing improvement.

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CHAPTER 20
FINANCIAL MANAGEMENT

20.1 CHAPTER OVERVIEW

PHAs have a significant degree of flexibility in managing the financial resources available for the housing choice voucher program. That flexibility allows each PHA a measure of discretion in tailoring its program to address the needs of the community it serves, but it also dictates that the PHA be actively involved in designing the financial management structure of its program. This chapter explains HUD's key financial management requirements for the housing choice voucher program. It also provides guidance on how to develop a comprehensive financial management systems as well as several planning tools that can be used to monitor and control finances in order to maximize available resources.

20.2 FINANCIAL MANAGEMENT REQUIREMENTS

Annual Contributions Contracts (ACCs) identify the financial record keeping and management requirements for the housing choice voucher program. Applicable regulations, HUD notices, and HUD guides set forth other important aspects of program financial management.

Summary of ACC Requirements. When executing an ACC, the PHA agrees to comply with the following requirements:

- A complete and accurate set of books of account and supporting records will be established and maintained so that speedy and effective auditing is possible.
- All program receipts will be deposited in a financial institution that is under a HUD-approved depositary agreement.
- All program funds will be expended for allowable program costs only.
- Each fiscal year, an estimate of the annual contributions required for the program will be submitted to HUD.
- Program funds will be expended in accordance with the annual contributions estimates provided to HUD.
- Payments will be periodically requisitioned from estimated annual contributions.
- Excess payments (payments in excess of approved annual contributions) will be applied in accordance with HUD directives, including the remittance of excess payments to HUD.
- If funds on-hand exceed current needs they will be invested in accordance with current HUD regulations.

- A year-end settlement report will be prepared to reconcile any differences between the PHA's estimated requirements and the level of funds actually needed.
- HUD will be permitted to periodically inspect PHA offices, to access facilities, and to review any and all books of account.
- Statistical, operating, and financial reports will be provided to HUD upon request.
- The PHA will ensure that an independent public accountant conducts all required program audits.
- An administrative fee reserve account will be maintained and credited with the amount by which the total administrative fees earned and interest earned on the reserve exceed the actual administrative expenses during any given fiscal year.

20.3 BUDGETING

The PHA must prepare an annual estimate of required annual contributions and an operating budget to ensure that costs do not exceed the annual contributions provided by HUD. Housing assistance payments, ongoing administrative fees, hard-to-house fees, audit costs, and, in certain cases, preliminary fees are included in the calculation of annual contributions. The preparation of a budget and the imposition of good financial management controls are critical components of the PHA's financial management process. The budgeting process includes preparation and submission of form HUD-52672, Supporting Data for Annual Contribution Estimates, and form HUD-52673, Estimate of Total Required Annual Contributions.

HUD's approval of an application for vouchers through a notification letter and the supporting Funding Exhibit to the ACC establishes the amount of the annual contributions available for leasing over the term of the award. It does not dictate to the PHA a fixed number of units or a specific mix of units by bedroom size. The PHA determines the number and type of units that will be leased and must manage its program to ensure that (1) annual contributions funds available are fully utilized, and (2) costs do not exceed annual contributions. Maintaining the balance between under and over-spending presents a significant challenge to the PHA. The budget process, along with regular monitoring, is the key to maximizing utilization of funding without over-spending.

Estimating Housing Assistance Payments

Housing assistance payments are amounts the PHA pays to the property owners on behalf of voucher program participants. A housing assistance payment (HAP) is calculated by deducting the amount payable by the family from the lower of the applicable payment standard or gross rent.

The PHA must use Form HUD-52672 to calculate the anticipated average gross rent, payment standard, amount payable by the family, and HAP. Each of these averages is calculated by

bedroom size. The HAP is then multiplied by the number of unit-months anticipated for each bedroom size in order to determine the total subsidy required for the year.

Estimating Fee Earnings

HUD compensates PHAs for the cost of administering the housing choice voucher program through administrative fees. While fee rates may change, the types of fees are special fees and ongoing fees. There are five types of special fees: preliminary, conversion, hard to house, lead paint, and counseling. An ongoing fee is paid for each unit each month that unit is under lease. The term "per-unit month" is used to describe the measure of "one unit for one month."

Preliminary Fees

A preliminary fee of up to $500 per unit is available for PHAs that are establishing a new housing choice voucher program. The fee is not available for PHAs with an existing program.

The preliminary fee covers one-time costs of processing participating families to the point of HAP contract execution. This fee also covers the cost of intake functions to achieve occupancy for the newly authorized vouchers including: publicizing the program, briefing applicants, participants, and owners, receiving and reviewing family applications, determining and verifying family income and eligibility, setting up family files, conducting initial unit inspections, certifying and documenting rent reasonableness, and preparing HAP contracts.

The HUD Financial Management Center may approve a reasonable per-unit preliminary fee of up to $500. The actual amount of the preliminary fee is determined at year-end settlement based on cost justifications submitted by the PHA. The amount of the actual preliminary fee is the lesser of actual expenditures or the amount approved by HUD. If the PHA's leasing schedule spans two PHA fiscal years, the PHA is eligible to earn preliminary fees during that period. The PHA must use form HUD-52672 to calculate preliminary fees.

Housing Conversion Fees

A PHA may be eligible to receive a Housing conversion fee when it has received voucher funding specifically for residents involved in a Housing conversion action. PHAs are entitled to a conversion fee of up to $250 per unit for each unit that is occupied at the time HUD provides housing choice vouchers to the PHA for a housing conversion action. These conversion actions include: owner prepayment of a mortgage, owner opt-outs, HUD property disposition actions, and HUD enforcement actions.

The conversion fee covers out-of-pocket expenses related to the conversion action(s). The Financial Management Center approves the actual amount to be paid to the PHA based on actual eligible costs reflected on the PHAs year-end settlement statement.

Hard-to-House Fees

The hard-to-house fee provides reimbursement for the additional administrative costs PHAs incur when housing families that include three or more minors or a person with disabilities. HUD has established the fee amount at $75 per family; it is earned for each eligible family that is initially housed in a unit other than its pre-program unit, or for a participating eligible family that moves.

The PHA must use form HUD-52672 to estimate the total number of hard-to-house families with three or more minors or a disabled person that will be assisted. On a supplemental sheet, the PHA must provide the supporting calculation for the estimated number of new hard-to-house families that are likely to receive vouchers and the number of hard-to-house families currently participating in the voucher program that are likely to move from one assisted unit to another. In developing this estimate, the PHA should consider the characteristics of current program participants, the composition of its waiting list, and the turnover and move rates for large families.

Special Fees for Lead-Based Paint Hazard Clearance Tests and Risk Assessments

Chapter 10 describes the requirements of lead-based paint regulations.

PHAs may request special fees to reimburse costs to conduct risk assessments, and lead-based paint hazard clearance tests before allowing a unit to be occupied, and upon annual inspection. This testing is required by the revised lead-based paint regulations published in the *Federal Register* on September 15, 1999.

PHAs are permitted to contract the clearance testing directly or may require the owner to do so. In cases where the PHA requires the owner to contract for the service the PHA must reimburse the owner of the unit.

Fee for Risk Assessment

The fee for risk assessment is $350 for conducting an assessment required by the rule. This includes situations where the local health department or other medical health care provider has confirmed that the family has an EIBLL child under age six, as long as the blood test was done while the child was residing in the assisted unit. The amounts should be reflected on the PHA's form HUD-52681, Year End Settlement Statement, prepared at year-end. Along with the statement, the PHA should attach a certification indicating the number of units where a risk assessment was completed during the PHA fiscal year.

Fee for Clearance Testing

The fee for clearance testing is $150 for conducting a test required by the rule. This includes situations where the clearance test is conducted on a unit occupied by a family with a child under the age of six that has deteriorated paint requiring clearance testing after the owner completes paint stabilization or repairs where the PHA determines that the *de minimis* levels were

exceeded. The amounts should be reflected on the PHAs Form HUD-52681 Year End Settlement Statement prepared at year end. Along with the statement the PHA should attach a certification indicating how may units received the clearance test during the fiscal year as required by the LBP rule (24 CFR 35 Subpart M).

Counseling Fees

HUD Headquarters may provide a specific funding increment for counseling fees in connection with litigation, regional deconcentration efforts, and public housing demolition or HOPE VI activities. These funds may only be used for counseling purposes under the housing choice voucher program.

The field office authorizes the PHA to make use of this special fee and identifies the amount authorized in its application approval letter. The Financial Management Center approves the actual amount to be paid to the PHA based upon actual costs reflected on the PHA's year-end settlement statement.

Ongoing Administrative Fees

Ongoing administrative fees are earned by a PHA for each unit that is under a HAP contract on the first day of each month (even if the unit does not stay occupied for the entire month). The number of units eligible for the ongoing administrative fee is limited to the number of units supported within the annual budget authority. The ongoing administrative fee is determined by multiplying the number of unit months the unit is under lease by the per-unit-month administrative fee, as periodically published by HUD in the *Federal Register*.

HUD established three different types of ongoing administrative fees.

- A rate per unit for the first 600 units leased each month;
- A rate per unit for all units above 600 leased each month;
- A rate per unit for PHA owned units.

For budget purposes, estimating the amount of ongoing administrative fees that will be earned requires the PHA to project the number of "unit months under lease" for the year. The PHA does this by adding together the number of units expected to be under lease on the first day of each month in the budget year. The PHA uses form HUD-52672 to calculate the PHA's estimate of unit months under lease and ongoing administrative fees earned.

Higher Administrative Fees

A PHA may request that the Financial Management Center provide an increase in the administrative fees to cover a PHA's higher administrative costs incurred as a result of administering a small program or administering a program over a large geographic area. A small program is one where the vouchers and moderate rehabilitation units under ACC in the current PHA fiscal year are fewer than 200; a large geographic area is an area covering multiple counties that are primarily non-metropolitan.

The maximum increase that may be approved by the Financial Management Center is 110 percent of the monthly fees listed under Column A in the administrative fee tables published annually in the *Federal Register*. If the Financial Management Center determines that an increase to 110 percent of the amounts in the fee tables is not adequate, the FMC may submit to HUD Headquarters written justification for a higher fee. Any increase will be good for only one PHA fiscal year and is not retroactive to a prior fiscal year.

A PHA will not qualify for a higher administrative fee if the PHA anticipates that its administrative fee reserve balance at the end of the current budget year will exceed 20 percent of projected administrative expenditures for the next PHA fiscal year.

Administrative Fee Penalties

Under certain conditions, HUD may impose penalties against the PHA's administrative fees. Such conditions include, but are not limited to: failure to furnish form HUD-50058 as required by HUD regulations, housing quality standards violations in a significant percentage of units, failure to take corrective action where there has been evidence of intentional program abuse or unintentional administrative errors by the PHA, owners, or families housed, and drawing down from HUD more than five percent more funds than the PHA actually needs.

Estimating Audit Costs

PHAs are entitled to reimbursement for audit costs related to the housing choice voucher program. Only those audit costs that may be allocated to the housing choice voucher program are available. The PHA should request the audit costs on form HUD-52673.

Total Annual Contributions Required

After calculating estimated housing assistance payments, estimated fee earnings (ongoing administrative fee, hard-to-house fee, and, if applicable, counseling fee, conversion fee or preliminary fee), and estimated audit cost, the PHA is able to calculate total annual contributions required. Total annual contributions required is the sum total of each of the above. The PHA requests the total annual contribution required on form HUD-52673.

Calculating Annual Budget Authority

The annual budget authority is the funding provided to the PHA to pay housing choice voucher program expenses, including housing assistance payments, ongoing administrative fees, special fees, and audit costs.

The annual budget authority equals the prorated total for the PHA fiscal year of all of the PHA's funding increments, each of which has a maximum funding level. Funding increments are generally for a one year period, and specify a certain number of "baseline" units. However, the PHA may lease more or less than the number of baseline units if authorized by the HUD

approved budget. This concept is explained in further detail in the section entitled "monitoring utilization" below.

The annual budget authority is the product of two calculations:

- *The prorated portion of funding increments in effect as of the first day of the PHA's fiscal year*. Although funding increments generally have a term of one year, the one-year term often does not match the PHA's fiscal year. Therefore it is necessary for the PHA to reflect the prorated amount of each of the funding increments in the budget.

- *Renewal funding for the funding increments after they expire and are renewed*. The renewal funding provides annual contributions for the PHA for the remaining months of the fiscal year for each funding increment that expires during the year.

The annual budget authority is calculated as part of the PHA's budget submission, and is recalculated during the year-end settlement process. The annual budget authority for the PHA fiscal year is calculated on subsidiary forms attached to the budget and is summarized on form HUD-52673.

Prorated Annual Budget Authority

The first step in calculating the annual budget authority is to determine the prorated account balance of any funding increments in force as of the first day of the PHA's fiscal year. This step is accomplished by prorating, by month, all funding increments that will be in effect on the first day of the budget year.

PRORATED ANNUAL BUDGET AUTHORITY

If a PHA with a budget year beginning January 1 has a funding increment "V037" expiring May 31 that has a funding level of $120,000, the annual budget authority applicable to the PHA year would be $50,000 ($120,000/12 months = $10,000 per month; 5 months times $10,000 equals $50,000).

Because the budget is prepared at least 90 days before the beginning of the PHA fiscal year, the PHA must project the funding increments that will be in effect on the first day of the PHA fiscal year. This projection will be accomplished by making a list of all funding increments in effect at the time the budget is prepared, removing any funding increments expiring before the beginning of the budget year, and adding renewal funding increments expected on or before the beginning of the budget year.

Renewal Funding

The second step in calculating the annual budget authority is to determine the total amount of prorated renewal funding to be provided for funding increments expiring during the budget year.

In general, renewal funding must be projected for each funding increment by multiplying the number of baseline units by an adjusted historical per unit cost. Exhibit 20-1, *Determination of Initial Baseline,* shows the steps in calculating the December 31, 1999 baseline.

EXHIBIT 20-1
DETERMINATION OF INITIAL BASELINE AS OF DECEMBER 31, 1999

HUD has established an initial baseline number of units reserved for each PHA as of December 31, 1999, to be used in calculating the renewal units and amounts for calendar year 2000 and subsequent years. HUD used the following process to determine the December 31, 1999 initial baseline:

- *Step 1:* HUD determined the number of families assisted as of October 1, 1997. The number of assisted units under lease was specified in the supporting documentation submitted by PHAs with the Voucher for Payment of Annual Contributions and Operating Statement filed for the PHA's first year-end following October 1997 (form HUD-52681).
- *Step 2:* HUD determined the *adjusted reserved number of units* as of October 1, 1997 by adding the number of reserved units as of October 1, 1997, to the number of authorized units reserved after October 1, 1997 as a result of HUD's review, conducted in Federal Fiscal Year 1998, of leasing in excess of the number of units reserved. This adjustment was necessary to avoid double counting units in the course of performing the comparison since a portion of the additional authorized units would also be included in the number of units leased on October 1, 1997.
- *Step 3:* HUD compared the number of leased units as of October 1, 1997 (step 1) to the number of reserved units (step 2); the higher of the two was used for further calculations. The comparison was performed separately for the certificate and the voucher programs.
- *Step 4:* HUD added any additional units reserved for the PHA subsequent to October 1, 1997 to the result of Step 2. Adjustments included incremental funding as well as conversion funding awarded to provide continued assistance to assisted families pursuant to the conversion of project-based assistance to tenant-based assistance. HUD also included adjustments for assistance transferred from one housing agency to another. In this case, the gaining PHA's adjusted baseline would increase and the transferring PHA's adjusted baseline would decrease in an amount equal to the number of units transferred.
- *Step 5:* Finally, HUD added the calculated number of units from Step 4 in the certificate program to the calculated number of units from Step 4 in the voucher program to establish the initial baseline (as of December 31, 1999) for each PHA.

EXAMPLE

CALCULATING 12/31/99 BASELINE

Category	Certificate	Voucher
1. Families assisted as of 10/1/97	175	110
Units reserved as of 10/1/97	200	100
Units reserved after 10/1/97 resulting from HUD FFY98 review of leasing in excess of # reserved	0	5
2. Adjusted reserved number of units	200	105
3. Larger of #2 and #3	200	110
Add new units reserved	0	10
Add/Subtract units transferred	0	10
4. Baseline for 12/31/99 by program	200	130
5. Baseline as of 12/31/99	300	

Per Unit Cost. The PHA's latest HUD-approved year-end settlement statements, (form HUD-52681) determine the per unit cost (PUC). The total annual contributions required divided by the number of unit-months leased yields the average PUC per month. The monthly PUC multiplied by 12 yields the annual PUC. The annual PUC is increased by the annual adjustment factor (AAF) published annually in the *Federal Register* (Table 1 amount with the highest cost utility included) for the number of subsequent Federal fiscal years between the time of the latest HUD-approved year end settlement statement and the time of the renewal. If the PHA serves more than one jurisdiction with separate AAFs, the highest AAF is used.

RENEWAL FUNDING FOR A PHA FY ENDING 6/30

If the last approved year-end statement was for PHA fiscal year 1999 and it required annual contributions of $500,000, and the PHA had leased 1,250 unit-months in that year, the PUC before the AAF would be $400 ($500,000 ÷1,250). If the AAF for FY2000 was 1.02, and the AAF for FY2001 was 1.03, the adjusted PUC would be $420.24 per month ($400 x 1.02 x 1.03), or $5,043 per year ($420.24 x 12).

Total Renewal Funding

The number of baseline units to be renewed multiplied by the per unit cost provides the total renewal funding for a given funding increment. If the renewed funding increment term does not correspond with the PHA's fiscal year, the renewal funding for the funding increment will be prorated accordingly. For example, if the PHA's budget year begins on January 1, and it has one funding increment that will renew on July 1 for $504,300, then the renewal funding provided will be $252,150 ($504,300 ÷ 12 months = $42,025 per month, x 6 months).

Consolidation and Synchronization

HUD intends to synchronize the term of multiple funding increments expiring during the year to expire on the same date. This will reduce the number of funding increments tracked by HUD and the PHA. The synchronization process for individual funding increments may result in terms not equal to twelve months in order to enable HUD and the PHA to consolidate multiple funding increments into one and to synchronize all of the PHA's funding increments to a date that begins six months after the end of the PHA's fiscal year.

Determination of Utilization

Beginning with PHA fiscal years ending December 31, 1999 and thereafter, HUD will assess the leasing rate and use of budget authority by each PHA on an annual basis when HUD processes the PHA's year-end statement (approximately four months after the end of the PHA's fiscal year. A PHA with chronic under-utilization may be subject to involuntary reallocation of units after proper notification and an adequate amount of time to resolve the problem. (See Chapter 24.)

Penalty for Under Utilization

If the assessment reveals that the PHA's lease rate is less than 90 percent of the reserved number of units ("90 percent unit threshold") and the PHA has expended less than 90 percent of its annual budget authority ("90 percent annual budget authority threshold"), HUD will issue a warning to the PHA, the applicable PHA governing board and the chief executive officer of the general unit of local or state government. The warning will state:

- That the PHA's administrative fee reserves will be frozen with HUD approval required for any PHA access for any use other than direct program operations; and

- That, if the PHA fails to increase its lease rate to 95 percent of the number of reserved units by the time that it submits its second budget after the warning (approximately 16 months after the warning), its unexpended baseline authority and the number of reserved units will be subject to reallocation by HUD to another PHA.

CALCULATING UTILIZATION RATES

The Main Street Housing Authority's fiscal year ends December 31, 2000. At the time it submits its year-end statement (YES) in February 2001, the PHA reports that the number of units months leased for the 2000 fiscal year was 1020 (the equivalent of 85 units out of the possible 130) and that it expended $408,000 out of a total annual budget authority of $611,000. When HUD performs its assessment in conjunction with approving the year-end statement (around June of 2001), assuming the YES is approved as submitted by the PHA, HUD will perform the following steps:

Unit Threshold

- HUD will subtract the 10 litigation units from the PHA's 130 adjusted baseline units.

- For the remaining 120 units available for lease-up, HUD will compare the 1,440 possible units months leased (120 x 12) with the 1,020 actual unit months leased to derive the lease-up rate of 71 percent.

Annual Budget Authority Threshold

- Since the lease-up percentage falls below the 90 percent threshold, HUD will determine the percentage use of annual budget authority as follows:

  - HUD will first subtract the annual budget authority for the 10 excluded litigation units ($48,000) from the total annual budget authority for the PHA ($611,000) to determine the available annual budget authority ($611,000-$48,000=$563,000).

  - HUD will then divide the amount expended ($408,000) by the amount of the available budget authority ($563,000) to determine the percentage of budget authority utilization ($408,000 ÷ $563,000=72%). In this instance the assessment would indicate that the PHA should be issued a warning based on its lease up rate of 71 percent and its budget authority utilization rate of 72 percent; both are below the 90 percent threshold.

When the PHA submits its second budget after receipt of a warning, the PHA will provide a status report on its lease-up rate to the FMC. If the PHA has failed to achieve a lease-up rate of 95 percent of its total number of reserved number of units minus any units identified in the formula (e.g., units reserved for litigation), the FMC will reduce both the PHA's annual budget authority and its adjusted baseline number of units.

In this instance, the FMC will reduce budget authority not required to support currently assisted families through the end of the contract increment term from the PHA's budget to bring its utilization rate to 95 percent. Budget authority amounts reduced from the PHA's budget will be made available for reallocation to other PHAs.

HUD will calculate the number of units the deleted budget authority would have supported based on the PHA's adjusted per unit cost and will reduce the baseline to be used in calculating future renewal funding for the PHA.

THE REALLOCATION PROCESS

The Main Street Housing Authority (MSHA) will process its first budget about four months after having received the warning in October of 2001. At the time that it processes its second budget after the warning in October 2001, it will provide a report on its lease-up rate.

At that time, MSHA reports that its lease-up rate has improved from the equivalent of 85 units to 105 units. The lease-up percentage has increased from 71 percent to 88 percent. It will also report that its budget authority utilization rate increased from 72 percent to 85 percent. In this instance, HUD will calculate the amount of budget authority that would bring MSHA to 95 percent utilization of its budget authority ($478,550/.95=$503,157) and reduce the remaining budget authority ($563,000 -$503,157=$59,842). HUD will also calculate the number of units that the subtracted budget authority represents ($59,842 divided by $4,800 per unit cost = 12 units) and subtract those units from MSHA's adjusted baseline for the purpose of calculating future renewals.

Each year HUD will issue a PIH Notice (and subsequent *Federal Register* notice) outlining the criteria for determining how PHA(s) may apply for the reallocated budget authority. The notice will outline the process for implementing the transfer as well as the number of units and the priority for reallocating budget authority.

Summary Example – Calculating Annual Budget Authority

Exhibit 20-2, *Calculating Annual Budget Authority – Summary Example*, presents a summary example of calculating annual budget authority, incorporating the contracted budget authority and renewal funding. This example summarizes the steps required to perform the calculation described in this section.

EXHIBIT 20-2
CALCULATING ANNUAL BUDGET AUTHORITY - SUMMARY EXAMPLE

Assumptions:

- Fiscal year ends December 31.
- Budget is being prepared for the fiscal year that ends December 31, 2002.
- Budget is due October 1, 2001.
- There is one funding increment that runs from July 1, 2001, through June 30, 2002, that has funding of $502,000.
- Annual contributions required per the year-end settlement statement form HUD-52681 for the fiscal year ended December 31, 2000, were $500,000. Number of unit-months leased during the year that ended December 31, 2000, were 1,250.
- Annual Adjustment Factors: 2001 = 1.02; 2002 = 1.03
- Number of Baseline Units: 100

The Annual Budget Authority for the budget year ending December 31, 2002:

Contracted Budget Authority:

Funding Increment	$ 502,000	
Pro-ration January 1 to June 30, 2002 (÷12 mos x 6 mos)	$ 251,000	$ 251,000

Renewal Funding:

Annual Contributions Required – 2000	$ 500,000	
Unit-months Leased	1,250	
Per-unit Cost ($500,000 divided by 1,250)	$ 400.00	
Annual Adjustment Factor 2001	x 1.02	
Annual Adjustment Factor 2002	x 1.03	
Adjusted Per-unit Cost	$ 420.24	
Annual Adjusted Per-unit Cost ($420.24 x 12)	$5042.88	
Number of Baseline Units	x 100	
Total Annual Renewal Funding	$504,288	
Pro-ration July 1 to December 31, 2002 (÷12 mos x 6 mos)	$ 252,144	$ 252,144
Grand Total Annual Budget Authority		$ 503,144

Replacement of Moderate Rehabilitation Units with Vouchers

As moderate rehabilitation contracts expire, the participants are provided with vouchers. HUD will provide renewal funding for the moderate rehabilitation contract expirations. The renewal funding will be provided in the form of additional funding increment(s). The renewal funding for these vouchers is based upon per unit costs calculated from the most recent year-end statement adjusted using subsequent AAF(s).

20.4 EXCESS ANNUAL BUDGET AUTHORITY AND THE ACC PROGRAM RESERVE

The "ACC program reserve" (previously known as project reserve, or project account) contains the amount of excess annual budget authority not used by the PHA. Each year, the program reserve increases or decreases by the difference between (1) annual budget authority, and (2) annual contributions required. If annual budget authority less annual contributions required yields a positive number, the program reserve increases. If annual budget authority less annual contributions required yields a negative number, the program reserve decreases. With certain limited exceptions, PHA's are required to contain annual contributions required ("costs") within the annual budget authority. This cost containment is to be accomplished through a combination of budgeting and monitoring (see information below in the Monitoring Utilization section of this chapter).

It is imperative that PHAs properly budget and monitor to prevent overspending. By the same token, excessive additions to the program reserve is a sign that the PHA is not effectively utilizing its funding, and that the PHA may be able to afford to lease more units. HUD recaptures excess program reserves.

HUD continues to maintain local program reserves (ACC program reserve accounts) for each PHA's program in the amount determined by HUD in accordance with the PHA's consolidated annual contributions contract. In accordance with the Public Housing Reform Act of 1998, HUD revised its methodology for allocating funding for the renewal of expiring contracts in the housing choice voucher program.

HUD anticipates that some PHAs may not receive adequate budget authority to support the adjusted baseline number of units under the revised allocation system. Some PHAs may experience cost increases that exceed the per unit costs predicted by the revised renewal allocation methodology and would therefore not have sufficient funds to support the adjusted baseline.

To provide reasonable assurance that there will be adequate funding to support families assisted in the housing choice voucher program, PHAs have access to their ACC program reserve account. The approved ACC program reserve level is one-sixth of the projected expenditures in the PHA's approved budget for a given PHA fiscal year. Amounts accumulated by a PHA in the ACC program reserve account above the approved reserve level are considered excess reserves and are subject to annual recapture.

Procedures for Accessing ACC Reserve Account

A PHA that is not designated as troubled under SEMAP and is not in breach of its ACC is permitted to access up to 50 percent of its approved ACC program reserve level upon submitting a budget or budget revision to the FMC.

If a PHA requires access to program reserves in excess of 50% of the approved reserves level and is not a troubled PHA, it must submit the following to the FMC.

- A budget or budget revision.
- A narrative justification that clearly outlines the circumstances that cause the PHA to need to access the ACC program reserve account.
- A plan that describes:
  - The steps the PHA takes to ensure that it will not exceed its budget authority, including balances in the ACC program reserve account, in the current fiscal year;
  - How the PHA will reduce (and ultimately eliminate) its reliance on ACC program reserve funding over the subsequent two years; and
  - In instances in which the PHA is obligated to restore ACC program reserves, its plan for restoring ACC program reserves.

A PHA designated as troubled under SEMAP may access reserves if the FMC approves a request that may include documentation and justification as referenced above. The FMC will inform the applicable Troubled Agency Recovery Center (TARC) whenever a troubled PHA requests access to its ACC program reserves and will also inform the TARC of the proposed decision on the request. A troubled PHA may be required by the FMC and/or the TARC to provide additional documentation and/or justification to substantiate its request to access ACC program reserve funds.

Permissible Uses of ACC Program Reserves

Supporting the Reserved Number of Units

After the allocation of renewal funding a PHA must compare the budget authority that HUD assigned with the actual per unit costs the PHA is incurring. If at any time the PHA determines that the overall cost of maintaining assistance for the number of families assisted under the PHA's program (but not exceeding the number of units reserved to the PHA) has increased to a level that will not be supported within its budget authority, the PHA may request authorization to use up to 50 percent of the amount in its ACC program reserve account. In this instance, HUD may restore depleted ACC program reserves in accordance with the instructions below and subject to the availability of funds.

Supporting Units above the Reserved Number of Units

A PHA may issue as many vouchers that the PHA's allocated annual budget authority can prudently support, even if the number of vouchers exceeds the number of units reserved for the PHA. PHAs that exercise this flexibility are engaging in "maximized leasing." It is important for PHAs that take advantage of maximized leasing to monitor its impact and ensure that it does not jeopardize adequate support for the reserved number of units in subsequent years. The PHA may not use the ACC program reserve account to support units beyond the number of units supported by annual budget authority for more than a year except under exceptional circumstances. Leased units exceeding the PHA's reserved number of units will not be supported in the allocation of renewal funding. The PHA may use the ACC program reserve account to maintain assistance for maximized leased units on a temporary basis while the PHA takes steps to reduce the size of its program through attrition to its reserved number of units, or the number of units that can be supported by its allocated budget authority on a long term basis. HUD encourages PHAs to manage turnover and lease-up of units in a manner that fully utilizes their budget authority without relying on the ACC program reserve account. Over-issuance (issuing more vouchers than the program can support) is a standard and assumed approach to achieving full lease up for any PHA in a housing market where fewer than 100 percent of voucher holders can be expected to lease units. However, if more families than predicted are successful in leasing units, the PHA is permitted to use funds from its ACC program reserve account to cover costs exceeding its budget authority until it can reduce the program size through attrition.

A PHA that has had to use the ACC program reserve account to support units beyond its reserved number of units must restore the amount of ACC program reserves depleted by using less than its full annual budget authority in the subsequent year(s). The PHA must not admit families from its waiting list until it first uses attrition to reduce the number of families in its program to the number of units that will permit replenishing the ACC program reserve account, and then to a number that can be supported under its annual budget authority.

Restoration of Depleted Reserves

Subject to the availability of appropriated funds, HUD may restore ACC program reserve account amounts to the one-sixth level in accordance with the following:

- HUD will determine the amount by which the ACC program reserve account is depleted below the approved ACC program reserve level from the most recent year-end statement that the FMC approved and processed compared to the approved budget for the current year at the time that the Department calculates the amounts to be restored.

- If the PHA has leased more than its reserved number of units, HUD will not restore the depleted ACC program reserve account. However, HUD may grant an exception to this policy on a case by case basis where a PHA has substantially depleted the ACC program reserve account and HUD has determined that the PHA will require short term support for units not supported by annual budget authority.

- HUD will determine the schedule for restoration of depleted ACC program reserves in instances where a PHA has not leased more than its reserved number of units or HUD has determined that the PHA is not providing long term support for units not supported by annual budget authority apart from the funds in the ACC program reserve account.

Excess ACC Program Reserve Amounts

HUD must annually assess and recapture ACC program reserve account amounts in excess of the approved ACC program reserve level.

20.5 MONITORING UTILIZATION

Managing utilization is a critical component of voucher program financial management. Utilization refers to the degree to which the PHA uses available annual budget authority through leasing of units. The more units that are leased, the greater the amount of annual budget authority used.

> CALCULATING UTILIZATION OF FUNDS
>
> Assume that a PHA has annual budget authority for a given budget year based upon the existing annual budget authority and the renewal funding of $502,150. If the PHA's total annual contributions required, including housing assistance payments, ongoing administrative fees, hard-to-house fees, and audit cost were $450,000, then the PHA is utilizing 89.6 percent ($450,000 divided by $502,150) of its funding.

It is possible for a PHA to utilize more than its available annual budget authority, although utilizing more than 100 percent is permitted only under limited circumstances. (See Section 20.4 regarding the ACC program reserve for details concerning over-leasing and utilization of the ACC program reserve.)

> UTILIZATION EXCEEDING 100% OF ANNUAL BUDGET AUTHORITY
>
> Assume again that a PHA has projected annual budget authority for a given budget year of $502,150. Assume further that the PHA has budgeted and requisitioned the entire $502,150 from HUD. If the PHA's total annual contributions required, including housing assistance payments, fees, and audit cost were $525,000, then the PHA is utilizing 104.6 percent ($525,000 divided by $502,150) of its funding.

It is the responsibility of the PHA to budget and monitor utilization to maximize use of the available funding without exceeding annual budget authority. As mentioned above, excessive ACC program reserves are an indication that not all funding has been utilized for leasing. Underutilized funding increases the ACC program reserve. By the same token, decreases to the

ACC program reserve are an indication that excessive leasing has taken place, or that the PHA's costs are rising at a rate higher than the annual adjustment factor. Balancing over and under-utilization is a challenging task that the PHA must master.

It is important for PHAs to manage utilization closely because:

- Significant under-leasing prevents families in need from participating in the program.
- Under-leasing also causes the PHA to lose ongoing administrative fee income, that is earned directly in proportion to the number of units under lease.
- Significant over-leasing, on the other hand, may cause the agency to prematurely deplete its resources, a dangerous result because the former relief of ACC cost amendments are no longer available.

Factors Affecting Utilization

As indicated above, the way that the housing choice voucher program is funded gives the PHA broad discretion to adjust its program to meet the changing needs of its program applicants and participants. There are two critical variables within the control of the PHA that must be regularly re-considered: (1) the number of units leased, and (2) the payment standard. Changes in either of these variables will have an impact on annual contributions required.

The number of units leased will vary depending on program turnover, the number of vouchers issued and the number of voucher holders that are successful in leasing units. PHAs should monitor all of these factors on a monthly basis. When a program is under-utilized, the PHA should issue enough vouchers to obtain the desired number of leases. The PHA needs information on the success rates of recent searches to estimate the number of vouchers to issue.

Payment standards also have an impact on program utilization. When payment standards are too low, families either fail to succeed in the housing search or select units for which they must pay a high percentage of family income. At those times, the payment standards need to be increased.

If either the number of units under lease or the payments standards are increased, annual contributions required will increase.

In addition to the number of units and the payment standard, the family contribution and bedroom mix are also variables that affect required annual contributions and utilization. A number of factors affect family contribution including changes in program components (e.g., welfare to work families may have lower average income), changes in preferences or targeting requirements, and changes in household size. As units turn over through attrition, the family mix can change, which may affect the average family contribution toward the rent. If the average family contribution goes up, annual contributions required will decrease–if all other variables are held constant. If the average family contribution goes down, annual contributions required will increase–assuming that all other variables are held constant. Changes in bedroom mix will also affect annual contributions required.

Funding Based Upon Historical Per-Unit Cost

The renewal funding formula utilizes a historical actual per-unit cost to provide annual contributions to the PHA for the upcoming budget year. The per-unit cost used is the average per-unit cost from the PHA's latest year-end settlement statement (form HUD-52681) approved by HUD. As discussed above, the per-unit cost is adjusted for inflation using the annual adjustment factor, and then multiplied by the number of units renewed to determine the PHA's housing choice voucher program annual budget authority.

A period of one to two years may have transpired from the time the per-unit cost is established until it is used for the budget, because the latest year-end settlement statement approved will be from the year preceding the budget year, or the year earlier, depending upon the timing of the renewals.

As part of its responsibility to ensure that its costs do not exceed the annual contribution commitment, the PHA must monitor the adequacy of the historical per unit cost. If the PHA's per-unit cost is on a decreasing trend, it is conceivable that per-unit renewal funding (based upon the historical cost) may exceed current per-unit cost. In this case, the PHA may be able to temporarily lease a number of units greater than the number authorized. On the other hand, if the PHA's current per-unit cost is on an increasing trend, it is conceivable that per-unit renewal funding (based upon the historical funding) may be less than the current per-unit cost. In this case the PHA may not be able to afford to lease the number of units authorized because per-unit costs have increased, or may be able to lease the reserved number of units only by accessing the ACC program reserve account.

Effect of Increasing the Payment Standard

PHAs are permitted to establish a payment standard within the range of 90 percent to 110 percent of the fair market rent (FMR). Increasing the payment standard may have the impact of increasing per-unit cost. An increase in per-unit cost may create disparity between per-unit renewal funding and current per-unit cost that will require the PHA to temporarily lease less than the number of units authorized. Exhibit 20-3, illustrates the impact of an increased payment standard amount on per-unit cost and utilization funds.

EXHIBIT 20-3
IMPACT OF INCREASED PAYMENT STANDARD ON PER-UNIT COST AND UTILIZATION OF FUNDS

If a PHA has a current average per unit cost for year 2000 of $400 per unit per month, and it increases its payment standard from 90 percent of the FMR to 100 percent of the FMR in the year 2001, its per unit cost will likely increase in succeeding years (as the payment standard increase is phased in upon reexamination). Although the renewal funding formula allows an Annual Adjustment Factor to account for inflation (see Calculating Annual Budget Authority section above), an increase in the payment standard may cause the per unit cost to increase faster than the inflation factor allowed by HUD.

For example, the above PHA with a year 2000 per unit month cost of $400, would be funded by HUD for the $400 per unit per month, as well as the Annual Adjustment Factor. Let us assume that the annual adjustment factor was 1.02 for the year 2001 and 1.03 for the year 2002. The funding provided by HUD for the year 2002 would be:

Per-unit Cost - Fiscal Year 2000	$ 400.00
Annual Adjustment Factor 2001	x 1.02
Annual Adjustment Factor 2002	x 1.03
Adjusted Per-unit Cost – Fiscal Year 2002	$ 420.24

(**Note:** this calculation is shown in more detail in Section 20.3, Exhibit 20-2).

If the PHA's per-unit cost were to increase from $400 to $460 by the year 2002 due to the increased in the payment standard, and if the year 2002 is funded based upon the above inflated per-unit cost of $420.24, the PHA may need to use program reserves to maintain leasing at the baseline number of units, or reduce leasing by as much as ten percent. One of these steps may be necessary because the PHA is spending more than the funding provided by HUD (cost of $460 as compared to funding of $420.24 POM).

A PHA should make this determination after taking into consideration available ACC program reserves and the use of ACC program reserves prescribed by HUD notice. This is an over-simplified example, because other factors such as bedroom mix, family contribution, and annual adjustment factors will affect the per-unit cost.

Budgeting and Monitoring Utilization

It is important for PHAs to build a budget that projects an appropriate level of utilization. When building the budget, the PHA will note whether anticipated leasing levels (based upon estimated unit-months of leasing for the budget year) will exhaust the annual budget authority, not use the full annual budget authority, or use almost 100 percent of the annual budget authority. Ideally, the budget will be built to reflect the level of leasing and number of unit-months needed to use almost 100 percent of annual budget authority, so that it is not exceeding the annual budget authority from HUD. This is defined as "full utilization."

The PHA may need to try several different "budget scenarios" with different projected leasing levels, in order to identify the approach that fully uses the annual budget authority. These scenarios will require the PHA to compile several trial budgets with estimated leasing that is below, equal to, or perhaps even above the number of units authorized in order to identify which level of leasing will most effectively use the annual budget authority provided.

In addition, PHAs need to establish an internal tool to monitor (1) available funding, (2) the current per-unit cost, and (3) the number of units the PHA can presently afford to lease given the amount of funding and average per-unit cost. For most PHAs this analysis, computed on a leasing worksheet, should be prepared monthly.

Leasing Worksheet

PHAs should regularly analyze their leasing accounts in order to optimize leasing and use all of the funding available. This analysis may be accomplished by using a tool referred to as the "Housing Voucher Leasing Worksheet." The worksheet (see Exhibit 20-4, *Main Street Housing Authority - Housing Choice Voucher Program for the Month Ending June 30, 2001*) begins with the amount of the annual budget authority for the PHA for the current year (from the PHA's budget), which is then divided by 12. This monthly amount becomes the "target" because it is what the PHA should aim for in monthly utilization to maximize the leasing and annual contributions required.

Next, the PHA should calculate the average per unit month (PUM) cost to lease a unit. This is determined as follows:

HAP (line 4)	Total payments from HAP register or General Ledger for month
Ongoing Administrative Fees (line 4)	Latest annual requisition amount and divide by 12
Special Fees (line 4)	Latest annual requisition amount and divide by 12
Audit Cost (line 4)	Latest annual requisition amount and divide by 12
Preliminary Fees (line 4)	Latest annual requisition amount and divide by 12
Total Monthly Expenses	Add all amounts on line 4 for total on line 5
Number of Units Leased (line 6)	Obtain from HAP register or other report(s)
Average Cost (line 7)	Total monthly expenses divided by number of units leased

EXHIBIT 20-4
MAIN STREET HOUSING AUTHORITY
HOUSING CHOICE VOUCHER PROGRAM
FOR THE MONTH ENDING JUNE 30, 2001

HOUSING VOUCHER LEASING WORKSHEET

1. Annual Budget Authority (HUD52673, line13)		$2,195,011
2. Divide line 1 by 12 to get monthly average		12
3. Monthly target amount		$182,918
4. Monthly expense:		
Current HAPs\UAPs:	$141,791	
Current ongoing administrative fees	$17,638	
Current special fees	$143	
Current audit costs	$63	
5. Total expense for the month		$159,635
6. Number of units under lease		384
7. Current average total unit cost (line 5 ÷ line 6)		$416
8. Insert line 3 (monthly funding available)		$182,918
9. Insert line 7 (average per-unit per-month cost)		$416
10. Estimated number of units funding should support (line 8 divided by line 9)		440
Quick double check: comparison to prior year		
a. Line 30, HUD-52681		$1,704,360
b. Divided by Line 11, HUD-52681		4,068
c. Prior fiscal years average unit cost (compare this to line 7 and explain any variance)		$420

After obtaining average PUM for the latest month, the PHA simply divides monthly funding available (the "target" on line 3) by the average per-unit-month cost (line 9) to calculate how many units it can afford to lease (line 10) given the funding available.

The sample PHA has 384 units under lease (line 6). The analysis shows that the PHA could have leased 440 units (line 10), or an additional 56 units.

The rest of the worksheet (a, b, and c) is used to double-check that the data used was valid. The double-check changes only once per year and need not be updated monthly. It is designed to compare average PUM cost to lease a unit last year to this year's cost. A cost decrease from last year to this year is probably a sign of some inaccuracies in the data used for the worksheet. In any case, this final section of the report should include an explanation of any major variance between this year's PUM cost and last year's.

While a valuable and useful tool, the leasing worksheet must be used with caution and in conjunction with longer term planning. For example, if the PHA intends to increase its payment standard in the near future, leasing up to the full amount of annual budget authority can be dangerous.

The PHA must do long term budgeting in order to minimize the risk of over-leasing. Although it is not a program requirement, HUD encourages PHAs to prepare budgets as soon as information becomes available in order to engage in long term planning. PHAs can begin to prepare their budgets for the upcoming year as soon as the per-unit cost for the prior year is known, and they are encouraged to do so. For example, a PHA with a September 30 year-end could begin to prepare its December 31, 2002, budget in March of 2001 (10 months before the year begins), which is when the 2000 per-unit cost used to build the 2001 budget becomes known.

Annual budgeting, monthly monitoring, and longer term planning are all key components to optimizing utilization of the housing choice voucher program.

20.6 PROJECTING ADMINISTRATIVE EXPENSES

Housing voucher budget documents required by HUD are used to calculate annual budget authority provided by HUD, annual contributions required by the PHA to run the program, and ACC program reserves. HUD does not require the PHA to submit an administrative budget. However, establishing an administrative budget will enable the PHA to more effectively control its administrative costs.

A budget comparing estimated fee earnings (see page 20-3) to estimated administrative expenses, as shown in Exhibit 20-5, *Main Street Housing Authority Administrative Budget – Voucher Program,* is highly recommended.

EXHIBIT 20-5
MAIN STREET HOUSING AUTHORITY
ADMINISTRATIVE BUDGET – VOUCHER PROGRAM

Fee Income:	
Ongoing Administrative Fees	$50,000
Hard-to-House Fees	1,000
Audit Cost Reimbursement	1,500
Total	$52,500
Administrative Expenses:	
Administrative Salaries	$30,000
Benefits	6,000
Audit Costs	1,500
Other Administrative Costs	10,000
General Expenses	4,000
Total	$51,500
Excess of Income Over Expenses	$1,000

20.7 BOOKS OF ACCOUNT

This section summarizes the minimum accounting requirements for the housing choice voucher program. The PHA may establish additional accounting records as needed.

General Ledger. The General Ledger summarizes all of the financial activity of the PHA. It is supported by subsidiary records or ledgers. The subsidiary records should be periodically reconciled with the General Ledger to eliminate discrepancies.

Income and Expense Subsidiary Ledgers. HUD requires that the PHA maintain these subsidiary ledgers. The Income Ledger (as a subsidiary to the General Ledger Account 3000) is maintained for each program (e.g., vouchers, moderate rehabilitation). The Expense Ledger Account (as a subsidiary to the General Ledger Account 4000) is maintained for each program to record HAP payments and administrative costs paid.

Cash Receipts and Disbursements Registers. These registers are used to record amounts received and paid by the PHA.

Journal Vouchers. Journal Vouchers provide additional explanations for entries made into the General Ledger.

Checks. PHAs should always use checks when making withdrawals from the General Fund. Checks should be pre-numbered and used in numerical sequence.

Housing Assistance Payments Register. The HAP Register is used to record monthly housing assistance payments. This register must include the following:

- Name and address of family;
- Name and address of owner;
- Dwelling unit size;
- Beginning date of lease term;
- Monthly contract rent payable to owner;
- Monthly Family contribution;
- Monthly housing assistance payment to owner;
- Date the family vacated, and the number of days the unit is vacant, if any.

Property Ledger. The Property Ledger provides a separate record of nonexpendable equipment the PHA purchased and capitalized in accordance with its capitalization policy.

Account Numbers. The Low Rent Housing Accounting Guide (7510.1) provides an outline of the required accounts for the voucher program. The PHA may establish additional accounts if more detailed accounting data are needed.

Deposits. The PHA must have HUD deposit annual contributions for its housing choice voucher program in accordance with the terms of a General Depositary Agreement executed between the

PHA and depository institution. The PHA may pool deposits for different programs or the PHA may establish a separate bank account for the voucher program. If the deposits are pooled, the PHA must maintain separate accounting for each pooled resource.

20.8 PORTABILITY ACCOUNTING

Portability represents one of the most detailed areas of voucher program accounting. Portability occurs when a voucher holder moves from one PHA's jurisdiction to another. If the voucher holder moves from PHA A's jurisdiction, to PHA B's jurisdiction, the voucher holder is considered an outgoing portable to PHA A and an incoming portable to PHA B. The PHA authority that issued the voucher (PHA A) is known as the initial PHA. The PHA in the area where the voucher holder has moved (PHA B) is known as the receiving PHA.

When a family moves into the jurisdiction of the receiving PHA, the receiving PHA has the choice of "absorbing" the family or "administering" the subsidy from the initial PHA. If the receiving PHA absorbs the family, it issues one of its own vouchers, returns the initial PHA's voucher and no portability accounting is required. If the receiving PHA decides to administer the portable voucher, it takes on a number of responsibilities, including the occupancy, rent determination/reexamination, inspection and owner oversight responsibilities on behalf of the initial PHA. In exchange for fulfilling all of these responsibilities, the receiving PHA is entitled to bill the initial PHA for 80 percent of the administrative fee (that is requisitioned in full, from HUD by the initial PHA). The 80 percent administrative fee calculation is based upon column B of the latest fee chart published in the *Federal Register* for the initial PHA's jurisdiction.

Accounting Entries

Assumptions: The initial PHA pays a $350 housing assistance payment to the receiving PHA on behalf of the participant. The initial PHA's administrative fee from Column B in the *Federal Register* is $50.

The following entries present the accounting for billing by the receiving PHA and receipt of the bill by the initial PHA:

1) The receiving PHA sends a bill to the initial PHA for HAP and 80% of the initial PHA's ongoing administrative fee and records this entry in its books:

	Acct #	Account Title		
Debit	1125	Accounts Receivable – Initial PHA (HAP and 80% Administrative Fee)	$390	
Credit	3300	Income not affecting annual contributions (80% Administrative Fee)		$40
Credit	1111.1	Cash (for amount of HAP paid)		$350

2) The initial PHA receives the above bill from the receiving PHA and records this entry in its books:

	Acct #	Account Title		
Debit	4715	Housing Assistance Payments (for amount of HAP paid above)	$350	
Debit	4590	General Expense (for 80% of Administrative Fee)	$40	
Credit	2119	Accounts Payable – Receiving PHA (HAP and 80% Administrative Fee)		$390

3) The initial PHA pays the receiving PHA for the liability recorded in (2) above and records this entry in its book:

	Acct #	Account Title		
Debit	2119	Accounts Payable – Receiving PHA (HAP and 80% Administrative Fee)	$390	
Credit	1111.1	Cash		$390

4) The receiving PHA receives the payment receivable from the initial PHA and records this entry in its PHA book:

	Acct #	Account Title		
Debit	1111.1	Cash	$390	
Credit	1125	Accounts Receivable – Initial PHA (HAP and 80% Administrative Fee)		$390

Note that in entry (1) the receiving PHA posts the 80 percent administrative fee billed to account 3300. In this way, the portable administrative fee does not detrimentally affect annual contributions, and is for the benefit of the receiving PHA, because it is "Income Not Affecting Annual Contributions." Do not use account 3690 (Other Income), which may reduce or offset housing voucher annual contributions earned because the voucher has not been absorbed into the program.

20.9 ACCOUNTING FOR TENANT AND OWNER FRAUD

Tenant/owner fraud recoveries can include a number of situations. Perhaps the most common is the under-reporting of tenant income, which results in an overpayment of housing assistance payments (HAP) to owners. When this fraud is discovered, the PHA may pursue the tenant for repayment of the funds. These repayments are referred to as fraud recoveries.

Under certain circumstances, PHAs are allowed to retain 50 percent of fraud recoveries, or a greater amount if the cost of collecting the fraud recovery exceeds 50 percent.

As long as the PHA has signed a repayment agreement or a legal judgment, 50 percent of the tenant/owner fraud recovery or the cost of the collection, whichever is greater, may be credited to account 3300 "Income Not Affecting Annual Contributions," and therefore be retained by the

PHA. The following briefly illustrates the accounting for tenant/owner fraud recoveries utilizing the 3300 account:

To set up the Tenant or Owner Fraud Recovery receivable:

	Acct #	Account Title		
Debit	1129	Accounts Receivable-Other	$1,000	
Credit	2690	Undistributed Credit		$1,000

To record a collection and distribute between the PHA and HUD

	Acct #	Account Title		
Debit	1111.1	Cash	$100	
Credit	1129	Accounts Receivable-Other		$100
Debit	2690	Undistributed Credits	$100	
Credit	3300.1	Income Not Affecting A/C		$50
Credit	4715	HAP		$50

In this case, due to the nature of the housing voucher year-end financial statement, the $50 credited to account 3300.1 is retained by the PHA. The other $50 credited to account 4715 reduces the PHA's annual contributions and therefore effectively goes back to HUD. Remember that the $50 is the standard 50 percent retention. If the PHA could prove that its direct cost of recovery (salaries and benefits of the individual(s) recovering, and other direct costs) exceeds $50, more than 50 percent could be retained, as approved by HUD.

20.10 INTEREST EARNINGS ON ADMINISTRATIVE FEE RESERVE VS INTEREST EARNINGS ON GENERAL FUNDS

In the housing choice voucher program there are two different types of interest earnings: (1) interest earned on general fund investments, and, (2) interest earned on administrative fee reserves.

Interest Earned on General Fund Investments (Account 3610):

Interest earned on general fund investments is interest earned on funds not belonging to the PHA. These funds include:

- Annual contributions advanced by HUD for payment to owners (housing assistance payments) which have not yet been disbursed. PHAs sometimes have the benefit of holding owner funds for a few days before owner checks clear.

- Over-requisitioned funding from HUD, which is owed to HUD as a liability at the end of the year.

Interest on these funds is considered interest on general fund investments, and is handled as a deduction from annual contributions earned (subsidy). Therefore, the interest is effectively returned to HUD. This amount is entered on form HUD-52681, the Voucher for Payment Of Annual Contributions and Operating Statement (the housing choice voucher program year-end

settlement statement) as operating income and also as "project receipts" reducing housing voucher annual contributions earned.

Interest Earned on Administrative Reserve (Account 3300)

Interest earned on administrative reserves is interest earned on funds that belong to the PHA, (administrative fees earned in excess of administrative expenses incurred). Interest earned on the administrative fee reserve may be retained by the PHA. This amount is entered on form HUD-52681, the Voucher for Payment Of Annual Contributions and Operating Statement (the housing choice voucher program year-end settlement statement) as operating income, but not as project receipts so it does not reduce housing voucher annual contributions earned.

Sample calculation:

Balance of administrative fee reserve at the beginning of the fiscal year (comes from last year's form HUD – 52681 – the year end statement)	$100,000
Plus or minus: estimated change in administrative fee reserves for the fiscal year (may be obtained by subtracting administrative expenses from administrative fees)	$25,000
Equals: Estimated ending balance of administrative fee reserve	$125,000
Average balance of administrative fee reserve (100,000 beginning balance + 125,000 ending balance) ÷ 2	$112,500
Multiplied by: Rate of Return on Investments (interest rate)	4.38%
Equals: amount of interest allocated to interest on administrative fee reserve (acct 3300)	$4,927.50
Total amount of interest earned	$9,328.43
Less: amount reclassified to account 3300	$4,927.50
Equals: interest on general funds (account 3610) *	$4,400.93

* The amount posted to account 3610 should be checked for reasonableness as a comparison of the earnings that should have resulted in over-requisitioned funding during the year.

20.11 YEAR-END RECONCILIATION

The year-end reconciliation provides the final calculation of annual budget authority for the PHA. The final calculation of annual contributions required including the determination of actual housing assistance payments, ongoing administrative fees, special fees, audit costs, and, if applicable, preliminary fees and the final provision (increase or decrease) to the ACC program reserve occurs at this time.

During the fiscal year the PHA will have requisitioned payments from HUD based upon estimates of subsidy needed and administrative fees earned. The year-end settlement process reconciles the amounts requisitioned based on estimated requirements with the actual housing assistance payment expenditures and administrative fees earned, special fees and audit costs. The reconciliation may result in either overpayment due to HUD or an underpayment due to the PHA.

Required Forms

The year-end settlement report is form HUD-52681, Voucher for Payment of Annual Contributions and Operating Statement. The PHA must also provide a schedule disclosing the calculation of administrative fees earned. The form must be completed and submitted to the HUD Financial Management Center within 45 calendar days of the end of the PHA fiscal year.

20.12 HUD-REQUIRED FINANCIAL AND BUDGET DOCUMENTS

Form HUD-52672 – Supporting Data for Annual Contributions Estimates

When To Submit the Form. The PHA must submit form HUD-52672 to the HUD Financial Management Center annually, at least 90 calendar days before the beginning of the PHA's fiscal year. The PHA should also submit a revised form HUD-52672 to reflect significant changes in program circumstances (e.g., increases or decreases in program size).

Purpose of the Form. This form is used to compute all of the supporting data necessary to prepare the budget form HUD-52673. Part I of form HUD-52672 is used to estimate housing assistance payments. Parts II through IV are used to calculate the estimated PHA ongoing administrative fee, the special fees, and the preliminary fee, respectively.

Form HUD-52673, Estimate of Total Required Annual Contributions.

When To Submit the Form. The PHA must submit form HUD-52673 to the HUD Financial Management Center annually, at least 90 calendar days before the beginning of the PHA's fiscal year. The PHA should also submit a revised form HUD-52673 to reflect significant changes in program circumstances (e.g., increases or decreases in program size).

Purpose of the Form. This form provides information concerning annual budget authority, ACC program reserve, and total annual contributions available. It also uses information from form HUD-52672 to compute total annual contributions required, including the estimated housing assistance payments, and anticipated administrative fees for the PHA's housing choice voucher program for a 12-month period. Form HUD-52673 represents the budget for the expenditure of the annual contributions available for the PHA's program.

Form HUD-52663, Requisition for Partial Payment of Annual Contributions.

When To Submit the Form. The PHA must submit form HUD-52663 to the HUD Financial Management Center annually, at least 90 calendar days before the beginning of the PHA's fiscal year. The PHA should also submit a revised form HUD-52663 to reflect significant changes in program circumstances (i.e., increases or decreases in program size), and to keep the PHA in compliance with the requisition requirements that require the PHA to ensure that funds requested do not exceed funds required by more than five percent. HUD imposes sanctions for over-requisitioning.

Purpose of the Form. Form HUD-52663 is used to requisition annual contributions required from HUD. It is prepared based upon the completed form HUD-52673, Estimate of Total Required Annual Contributions.

Form HUD-52681, Voucher for Payment of Annual Contributions and Operating Statement.

When To Submit the Form. The PHA must submit form HUD-52681 to the HUD Financial Management Center annually, within 45 calendar days after the end of the PHA's fiscal year.

Purpose of the Form. The Form HUD-52681 provides the final calculation of annual contributions for the PHA. The final calculation of annual contributions required is made on this statement, including the determination of actual housing assistance payments, ongoing administrative fees, special fees, audit costs, and, if applicable, preliminary fees. The final provision (increase or decrease) to the ACC program reserve is also shown on this statement.

During the fiscal year the PHA will have requisitioned payments from HUD based upon estimates of subsidy needed and administrative fees earned. The year-end settlement process on the HUD-52681 reconciles the amounts requisitioned based on estimated requirements with the actual housing assistance payment expenditures and fees earned. The reconciliation may result in either an overpayment due to HUD or an underpayment due to the PHA.

Finally, the HUD-52681 presents the operating income, operating expenditures, and operating reserve of the PHA for the reporting year.

Form HUD-52595, Balance Sheet.

This form is no longer required by HUD.

GAAP-Based Financial Data Schedule and Data Collection Form

When To Submit the Form. The PHA must also submit a Financial Data Schedule (FDS) prepared on the basis of Generally Accepted Accounting Principles (GAAP). The deadline for this submission is two months after the end of the PHA's fiscal year. The FDS is to be submitted electronically to HUD's Real Estate Assessment Center (REAC).

Purpose of the Form. The FDS includes all PHA programs and component units, including the housing choice voucher program, and is prepared in accordance with GAAP. The FDS provides a Balance Sheet, Income Statement, and Supplementary Information.

The Data Collection Form provides information concerning the PHA's Audit, Auditor and Federal Financial Assistance.

For more information concerning the FDS and the Data Collection Form, visit the REAC website at www.hud.gov/reac. Important documents on this website include the HUD-PHA GAAP Conversion Guide, and the Financial Data Schedule Line Definitions and Crosswalk Guide.

20.13 INTERNAL FINANCIAL REPORTS

In addition to HUD required reports, well-managed PHAs will also prepare monthly financial reports concerning the housing choice voucher program. Internal financial reports to be prepared monthly may include the following:

- Operating statement reflecting income, expenditures, and excess of income over expenditures;
- Balance sheet reflecting assets, liabilities, and fund balance;
- Utilization report.

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CHAPTER 21
PROGRAM STAFFING

21.1 CHAPTER OVERVIEW

Annual Contributions Contracts (ACCs) require PHAs to administer the housing choice voucher program in accordance with the ACC, federal program regulations and HUD directives. To comply with these requirements, the PHAs must hire adequate staff to administer the program. This chapter discusses some of the issues PHAs face as they make decisions about staffing levels and organizational structure. This chapter does not reflect regulatory guidance, except to point out the requirement for the PHA to administer the program in accordance with regulations. The chapter provides general guidance using the experience of a number of PHAs.

PHAs come in all sizes and from many different organizational environments. Housing choice voucher programs at the local level range from fewer than 25 units to more than 70,000 units. About two-thirds of the approximately 2,500 PHAs administering housing choice voucher programs currently have fewer than 250 units.

PHAs may be independent public corporations, a department or division within city or county government, part of a larger department of local government (e.g., a Housing and Community Development Department), state agencies operating in the whole or a part of a state, or regional organizations. Some PHAs contract with another PHA, a non-profit agency, or a private firm to operate all or some functions of their programs. Many state PHAs use local non-profit agencies or PHAs to operate a part of their overall programs. As a result of program size and organizational differences, there is great variation in the administration, staffing, and delivery of housing choice voucher services.

No specific industry standards exist to provide guidance regarding the appropriate staffing level to administer a housing choice voucher program. Wide variations in organizational structure, distribution of work, and job design make it difficult to draw workload comparisons from agency to agency. This chapter will describe program administrative policies that have a direct impact on the level of work required to administer a program and discuss various methods of organizing work, including some sample organizational charts from several PHAs. A chart comparing staffing at several PHAs and indicating the number of clients per full-time employee has also been included. However, it is important to note that a comparison of PHA policies (that would enable the reader to draw an accurate comparison of workload to staff) was not made at the time the chart was developed. PHAs should use this chapter to gain insight into factors influencing staffing levels, but these materials are not designed to suggest a single approach to organization or what the appropriate staffing level is for a particular program.

21.2 KEY FACTORS AFFECTING STAFFING REQUIREMENTS

Program Growth

Small housing choice voucher programs need only a few employees. Larger programs require more staff to administer assistance to additional families. The administrative fees earned provide income to support staff.

As a program grows, both workload and income increase. Typically, existing staff absorbs as much work as possible, and ensures enough families are under lease to generate the income to pay more salaries. Then, the PHA hires more staff.

However, a PHA that continually requires existing staff to lease-up additional families in order to increase income so that more staff can then be hired to maintain those families is likely to fall below its utilization goals. Current staff will only be able to absorb a certain amount of work and it is likely that employees will choose to perform tasks that have specific deadline requirements, such as annual reexaminations, rather than performing work that does not have a program-defined deadline (applicant intake and briefing). Once behind in leasing, it is often impossible to catch up without additional staff.

Program growth and increasing revenues require front-end investment in leasing. Well-managed PHAs understand that a significant amount of work is required to lease units and increase program revenues, and they are willing to invest in staff to perform required intake and leasing activities.

In early growth stages, organizations frequently increase the number of employees with their existing models of work distribution and job design (e.g., the "generalist" model, described below). Typically, as programs expand further, more function specialization occurs, including an increase in the number of supervisory positions. As growth continues, managing the completion of work activities becomes more and more difficult because a wide variety of work activities is completed by a greater number of staff. The challenge of growth is to balance the resources devoted to program growth against those devoted to maintenance, and make specialization and management investments at appropriate stages of development.

Job Design: Generalist versus Specialist

With few staff to carry out all program requirements in a small program, it is necessary that employees be "generalists," performing a wide variety of required program administrative activities. For example, one position may be responsible for maintaining the waiting list, certifying eligibility, briefing applicants, inspecting units, approving rents, preparing contract documents, performing annual and interim reexaminations, terminating participant assistance, and reviewing monthly payments. This is a very broad span of responsibility and control.
As a job design, generalization has advantages and disadvantages. A generalist handles all program functions for the client. This enables the employee to develop a relationship with the client and to understand problems that may occur during the family's participation in the program. Some employees prefer the generalist approach because it provides a sense of

ownership of each case. However, a generalist must be able to manage the performance of a wide variety of tasks, monitoring and meeting a variety of deadlines. Sometimes generalization, because of the significant time management requirements to accomplish required tasks, makes the job "too stressful" or "too complicated," resulting in missed deadlines and inadequate client service.

The generalist approach works best with highly skilled staff who can learn more program tasks and manage a more complex workload. However, it takes longer for a PHA to train new staff to perform all of these tasks adequately, and it may be harder to provide backup during vacations and when staff turnover occurs. Some organizations have had improved employee satisfaction when the staff is more specialized and has expertise and ownership in a functional area. Increasing the amount of specialization focuses responsibility, limits the range of knowledge required by most staff members, and reduces the training required for a person to be able to complete the assigned tasks. With good written guidance and supervision, PHAs using a highly specialized functional approach may also be able to operate with slightly less skilled staff performing a more limited range of functions. However, to be feasible, specialization does require a certain program size.

When it becomes difficult to monitor and manage productivity, many organizations move to a system of specialization in various work activities. Specialization offers greater control over consistent application of administrative policies and monitoring completion of program requirements. When jobs are specialized, employees are each responsible for performing a smaller variety of tasks (usually for a greater number of clients). Monitoring the performance of these tasks is easier in a job-specialized environment, because work status information can be obtained from fewer sources. In addition, specialization reduces the span of responsibility of front-line staff. Staff often welcomes this reduction as simplification of the job, and may feel great ownership of its part of program activities.

Specialization also has some disadvantages. With several specialists handling different functions for the same family, some PHAs claim that there is inadequate overall program service to the client. No one person understands the family circumstances fully. In addition, when there is no one employee singularly responsible for all necessary activities, specialization provides an opportunity for activities to "fall through the cracks." An effective specialized housing choice voucher program must have a thorough monitoring system to assure that all necessary functions are carried out as required.

Examples of Job Specialization

Below is a listing of typical specialized housing voucher program positions. Individual PHAs may have fewer specialized positions, with a wider range of functions in each job description, or more specialized positions with narrower ranges of responsibility than those listed below:

- *Waiting list specialist*. This person is typically responsible for the following tasks: accepting applications for a waiting list, performing any preliminary eligibility determinations (e.g., determining whether the applicant owes money to the PHA), recording the application either manually or on an automated waiting list, selecting names from the waiting list when

assistance is available, updating the waiting list, removing applicant names from the waiting list, and sending any necessary correspondence to applicants.

- *Intake specialist*. This person typically performs the following tasks related to bringing each applicant into the program: conducting background checks for drug and violent criminal activity, conducting the eligibility interview, verifying income information to determine eligibility and the amount of assistance, briefing families, issuing vouchers, processing requests for tenancy approval, determining rent reasonableness, negotiating rents, and processing the HAP contract.

- *Occupancy specialist*. For many PHAs, the occupancy specialist position includes some or all of the tasks of the intake specialist. Sometimes this person takes the case at the briefing, and others at the time of the submission of request for tenancy approval. Sometimes, this person has no responsibility until a HAP contract is signed And therefore, there is no involvement until a reexamination or move by the family. This person almost always conducts interim and annual reexaminations, rent increase processing, and family moves (i.e., unit transfers). Sometimes this person also does all move processing, including rent reasonableness determination. For some PHAs, there is further specialization within this position. Some larger PHAs separate move processing from regular reexamination and case management activities.

- *Inspector*. This person conducts unit inspections, records results, notifies owners of results, and determines when to initiate rent abatements or to terminate HAP contracts because of HQS violations. At some PHAs, the inspectors schedule their own inspections; at others a clerk, occupancy specialist, or a scheduling specialist performs this function. Some PHAs have specialization within the types of inspections. For example, separate staff perform new unit and complaint inspections and other staff members perform annual inspections. For many PHAs the inspectors are responsible for completing rent reasonableness determinations and maintaining the rent reasonableness database.

- *Inspection schedulers*. This person schedules inspections for PHA inspectors, focusing on efficient routing, allocating the appropriate amount of time for each inspection, and meeting any inspection schedules. This person also schedules reinspections of failed units.

- *Rent specialist or market analyst*. This person performs rent reasonableness determinations and maintains a database (paper records or an automated system) of information on unassisted unit rents in the community. This database should contain information on all factors considered in rent reasonableness determinations. This person receives information on the unit proposed to be leased in the housing choice voucher program (or for which the owner is requesting a rent increase), selects comparable units from the database, and determines and documents that the rent is reasonable.

- *Outreach specialist*. An outreach specialist is charged with improving the PHA's relationship with the landlord community and encouraging new landlords to rent units to housing choice voucher families. This person will attend meetings of landlords, may join local property owner associations and speak before a variety of local civic organizations. The outreach specialist may produce a landlord newsletter, hold periodic landlord briefings and take responsibility to establish and coordinate a landlord advisory group.

Caseloads

Particularly for occupancy and inspection staff, PHAs often assign staff members a number of cases or transactions to be performed annually, monthly, or daily. It is very difficult to benchmark caseloads because of the differences in the functions from one PHA to another, and because the caseloads depend upon the quality of the housing stock, type of program tenants, geographic area of the program, success rates of the tenants, age of the waiting list, and the policies of the PHA.

Generally, programs with the occupancy specialist function have caseloads ranging from 400 to 600 clients, depending on a number of factors. Most important are the functions assigned to the staff members, the extent to which the automated systems assist in document and letter production, the quality of the monitoring systems, the amount of clerical support, program requirements for tenants to report interim changes, program turnover, and the number of participant moves.

Even PHAs with equal annual caseloads for their occupancy staff may have workloads that vary considerably on a seasonal basis. This can result when PHAs change reexamination dates when tenants move; in many locations, moves occur unevenly during the year (e.g., more moves at the end and beginning of school and few moves in winter). The timing of intake and lease-up for new allocations, particularly for opt-outs, preservation, and public housing relocation programs, where new families are enrolled in the housing choice voucher program in a short period of time also affects this. Some PHAs assign special client populations to particular staff members. This might include participants in the unification program, the family self-sufficiency program, the welfare-to-work program, or other special program populations that require additional effort on behalf of the families or coordination with other social service agencies. In addition, the way that cases are assigned among occupancy specialists may result in caseloads that are even as a whole, but highly unbalanced from month to month for any particular specialist and between occupancy specialists in any single month. Exhibit 21-1, *Comparison of Actual Monthly Reexamination Due to the Monthly Mean Number Due,* provides an illustration of how total reexamination workload may vary from month to month.

Other Factors in Assignment of Work

Many PHAs combine some functions that are similar for both housing choice voucher and public housing programs (and perhaps other local-assisted housing programs). This occurs most commonly in waiting list management, initial intake, and housing inspections. Some PHAs contract out selected program functions, such as inspection and preparation of HAP checks.

Geographic Size of the Jurisdiction

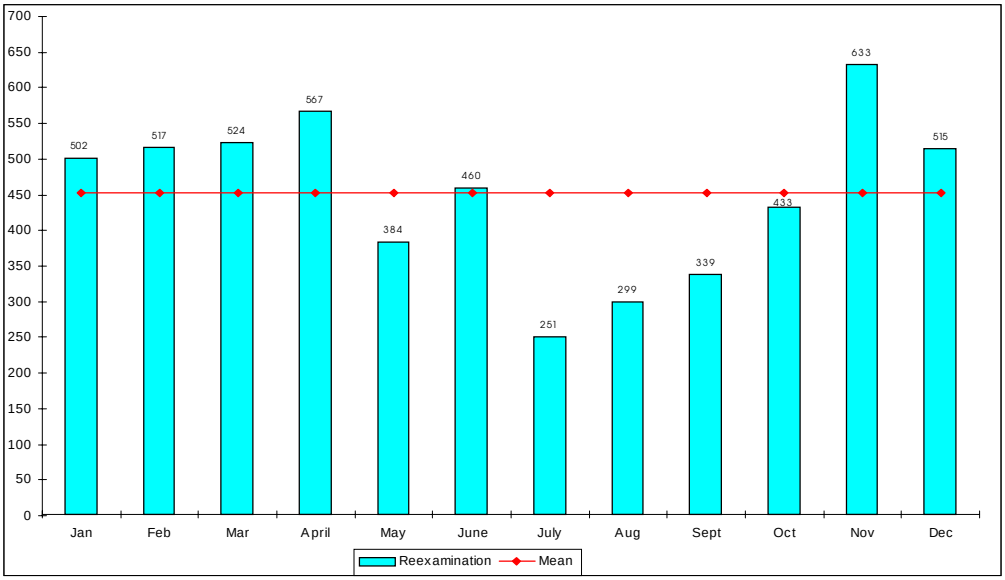
There are two primary considerations related to the geographic size of the program jurisdiction: inspections productivity and the accessibility of the administrative offices.

Inspections Productivity

Inspectors traveling greater distances between units reduces the number of inspections completed in a day and increases the number of inspectors needed.

EXHIBIT 21-1

COMPARISON OF ACTUAL MONTHLY REEXAMINATIONS DUE TO THE MONTHLY MEAN NUMBER DUE FOR SAMPLE 5500 UNIT HOUSING AUTHORITY'S HOUSING CHOICE VOUCHER PROGRAM (MONTHLY MEAN = 452)



Assigning unit inspections based upon proximity is the most efficient use of inspector time. Minimizing the distance between inspections reduces travel time as much as possible.

PHAs may use several methods to reduce the impact of travel time on productivity. Assigning inspectors to geographic areas reduces travel time by limiting the furthest possible distance between units. Many PHAs also will assign inspectors to geographic territories so that they become familiar with the area and are more easily able to find the shortest distance between units. Another method of reducing inspector travel time in programs serving a large geographic area is to select units which are as tightly circumscribed as possible for inspection in a single day. Even when this is done, travel time to and from the daily group of units to be inspected can be significant.

Accessibility of Administrative Offices

PHAs in very large geographic jurisdictions might need to establish branch or remote office locations to effectively serve clients. If clients typically do not have their own transportation and public transportation is unavailable or difficult to use, it may be necessary to provide services closer to the client. While this may result in additional expense for office space and a need for more staff, the benefits in increased leasing, retention of program participants, and customer satisfaction may be greater than the expense.

Some PHAs establish temporary or periodic offices in which reexamination or application-taking sessions can be held. Public housing community rooms, or churches in neighborhoods close to

many housing choice voucher participants are inexpensive (or free) options for providing services nearer to a PHA's clients.

Administrative Policies

Although many housing choice voucher program activities are mandated by regulations, PHAs are also permitted discretion in many areas of program administration. These discretionary policies may have a significant effect on staffing requirements. The additional time required by specific policies is not indicative of poor program management. PHAs may, for good reason, decide that policies requiring additional staff time are necessary and desirable. It is critical that the PHA understand the cost and workload effects of its program policies and adopt policies and procedures that increase the workload only when it helps achieve PHA program goals. A number of discretionary policy issues that can result in additional staff workload, depending on how they are addressed, are discussed below.

Interim Reexamination Policies

PHAs are required to perform interim reexaminations for families reporting a reduction in income or changes in household composition, but are allowed discretion to decide whether increases in income must be reported between annual reexaminations. Required reporting of income increases is generally accompanied by a PHA policy to recompute income and family rent to owner. Additional work is required to receive and review reports of increased income and to process reexaminations. The PHA policy may be written to:

1. Require that family report all increases in income and that all changes be processed;
2. Require that families report all changes, but only process changes above a specified dollar threshold ; or
3. Require reporting of only certain changes, all of which are then processed.

Many PHAs attempt to minimize the number of families reporting increases in income to reduce their workload and staffing requirements. Others attempt to focus their resources on those most likely to have large changes (i.e., those who at their most recent reexamination reported little or no income or those who have previously requested an interim reexamination to reduce their rent contribution.) Still other PHAs require that only certain types of increases in income be reported.

Restrictions on Participant Ability to Move

Program rules permit PHAs to restrict participant family moves to one per year. If a PHA does not adopt this allowed rule, and its client population is very mobile, there will be a higher number of family moves, increasing work for staff who conduct briefings, execute new HAP contracts, and perform inspections. Also, many PHAs exercise their option to require that all applicants not living in the PHA's jurisdiction at the time of their application initially lease in that PHA's jurisdiction (e.g., they deny immediate portability). This increases the amount of processing and may result in lower success rates for the families.

Length and Age of Waiting List

Generally, the longer the time between the date of application and selection from the waiting list, the less likely the family is to respond and attend an interview. PHAs with very old waiting lists often require more staff for the intake function because of the low and often uneven attendance rate at interviews. Families who have waited a very long time may often find other solutions to their housing needs, or their family circumstances may have changed since their initial application. Many PHAs have taken steps to control the size of their waiting lists to avoid long delays between application date and selection and to reduce the workloads from drop-outs. A few PHAs establish a new, fresh waiting list each year or so.

Preferences

Staff must work additional time to properly administer a waiting list with preferences. Preferences must be verified, and if verification is not possible, additional correspondence with the applicant is necessary. PHAs must exercise care to assure that an automated waiting list system orders applicants in accordance with the preference policy. PHAs who use a manual system for maintaining a waiting list will spend significant amounts of time to order applicants on the waiting list. The more complicated the preference system, the more staff time is required to determine the order of applicant selection.

In addition, preferences and special funding applications (e.g., welfare-to-work and family unification) target the program to subsets of the eligible families who are applying for the program. These preferences may be for groups that require more staff time to process, particularly special needs groups who may require more time, and coordination with other care providers, and may involve lower success rates. Targeting housing choice voucher program assistance and obtaining special funding for targeted populations are important and appropriate actions for PHAs to take in meeting local needs, but they do have an effect on staffing and costs.

Portability

Receiving PHAs may choose whether to absorb a family into their own programs, or to administer the assistance on behalf of the initial PHA. Administration on behalf of the initial PHA requires that billing to the initial PHA be monitored, information regarding the family be submitted at least annually, and that the administrative fees earned be shared. While the additional work that is required to administer assistance on behalf of another PHA is not great, the shared administrative fee reduces program income. It is generally better for the receiving PHA to absorb the family into its program when possible.

Some PHAs have made arrangements with other PHAs in their areas to reduce the amount of portability processing. For example, PHAs in a county could agree to follow their own clients into the other PHA's jurisdiction (rather than employ portability), but the receiving PHA will do the rent reasonableness determination and HQS inspection for a set fee.

Tolling (Suspension of Search time)

Tolling means that at the time a family with a voucher submits a request for tenancy approval, the PHA stops the clock on the search time while determining whether the unit can be approved. For example, if the PHA takes 15 days to determine that the unit cannot be approved for assistance, then the expiration date of the voucher will be extended by 15 days. Tolling requires additional monitoring of expiration dates by the PHA and notification to families of extended expiration dates. Unless state court decisions require tolling, a willingness to grant term extensions will be more cost-effective.

Walk-in and Telephone Policy

Many PHAs attempt to reduce unscheduled demands on staff time by restricting the circumstances under which families or owners may walk into the office and see staff, and by limiting the circumstances under which families and owners are able or encouraged to call the PHA. This is done through improved communications systems and clear expectations established with these client groups. Many PHAs use this approach to achieve *greater* levels of customer service to their client populations by restricting special client attention to those clients who truly require it. Designing this type of system requires thoughtfulness to ensure reasonable coverage of the client needs, including those with disabilities, those without telephones and non-English speaking families. The number of unscheduled activities in the workload clearly affects the number of staff required to administer the program.

Local Housing Market and Program Clientele

In addition to the effect of administrative policies on program staffing and income, a number of other factors impact staffing requirements. External factors that may affect staffing include:

Success Rates of Families Searching for Housing

Each family who receives a voucher to search for housing requires an expenditure of staff time to be determined eligible and briefed. Families who are unsuccessful in finding units return an unused voucher to the PHA, which must then issue it to another family. The PHA will recoup none of the cost of processing the unsuccessful family, because administrative fees are paid only for units leased. The higher the success rates of searching families, the lower the overall cost of administering the program. Determining the reasons why families are unsuccessful, and attempting to resolve those issues is a more effective use of PHA funding than simply issuing large numbers of vouchers in anticipation of a lower number of successful families.

Quality of Housing Stock

An overall poor quality of housing stock available to be leased in the program is likely to result in more frequent failures of HQS inspections. Each unit that initially fails an inspection requires a reinspection prior to leasing or continuation of assistance. More frequent fails and reinspection will require more PHA inspections staff.

Owner Actions

Some units are not prepared for occupancy in advance of the HQS inspection. It is not uncommon for owners to use initial HQS inspections as a "punch list" inspection to inform them of the necessary repairs for HQS. This owner strategy increases the numbers of required inspections and staff.

Another owner behavior that can increase PHA cost of administering the program is to be a "no show" for the inspection appointment. This takes valuable inspector time, and prevents performance of other inspections—increasing PHA administrative cost and staffing requirements.

If a PHA is able to persuade owners that their actions may result in slower service, and promote change in owner behaviors, then pass and completion rates of inspections may improve, allowing the PHA to be more efficient. This may result in a need for fewer staff, and improvement of service to owners at the same time.

Applicant Actions

Applicants who do not appear for eligibility interviews, or delay the process of income verification or issuance of a voucher, require additional PHA monitoring and action. Second notices to families to attend interviews or provide income information may be necessary. Some of these applicants will be determined ineligible, requiring the PHA to begin the process of eligibility determination for another applicant.

Applicants who cooperate with the eligibility process but fail to attend a briefing and receive a housing choice voucher, or those who receive their voucher but do not expend adequate effort in their search have required a significant amount of PHA investment without results. PHAs must be aware of these rates of "fall out" for applicants, and attempt to address the problem. Making applicants more successful is an important way to reduce the cost of administering the program by reducing the work required to place a family under lease.

Some applicants will make unit selection that may result in additional complaint inspections during the year, or in staff time spent counseling the client and owner after lease-up regarding matters of tenancy. Families in marginal units or poor neighborhoods and that have problematic owners are more likely to move at the end of the initial lease term, requiring additional effort by PHA staff. More thorough initial counseling regarding unit choice may be a PHA technique to reduce poor unit choice and subsequent moving for these families.

When PHAs wish to take actions to improve efficiency or reduce costs, the solution may be a combination of the following: additional staffing, a reassignment of workloads, improved use of systems and automation, or better specification, supervision, and measurement of performance. Improving individual staff performance is an important part of improving overall PHA performance and efficiency.

Special Program Allocations

In recent years, many special program allocations to PHAs have been targeted to specific populations. Often, these allocations carry requirements for working with other organizations or agencies to select eligible program applicants. Examples of these special program allocations include:

- Family self-sufficiency;
- Mainstream program for the disabled;
- Family unification program;
- Public housing demolition, disposition, or vacancy consolidation;
- Assistance to families in units for which HUD terminates a project-based HAP contract; or
- Welfare-to-work voucher program.

Administration of these special allocations requires that PHAs develop systems to accept applicant referrals for eligibility. PHAs must also partner with other agencies to provide any necessary counseling or referral services, or the PHA must perform these functions. It is common for these families to take longer to be processed and leased-up than others from the waiting list. Some groups also may have lower success rates. In some cases, these families may also require more follow-up assistance and involve more unscheduled contacts than other program participants.

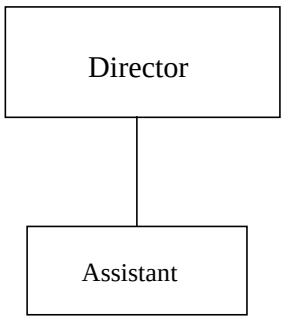
21.3 PROGRAM SIZE AND ORGANIZATIONAL STRUCTURE

Exhibits 21-2 through 21-6 illustrate sample PHA organizational structures for housing choice voucher programs of increasing size. Figure 21-2, *Very Small Housing Choice Voucher Program Organization Chart*, illustrates a very small program of about 50 – 75 units with 1.5 – 2.0 full time equivalent staff. The program manager and the assistant are directly involved in daily processing activities.

Exhibit 21-3, Small Housing Choice Voucher Program Organization Chart, illustrates a small program of about 250 units with four full-time equivalent staff. The clerk/secretary takes applications and does some other processing. The housing specialist does eligibility, briefing, lease-up, and ongoing case management. The inspector does all inspections, including most of the inspection scheduling, and rent reasonableness determinations. The director is the back-up person for all processing and does quality control, and perhaps some regular processing.

EXHIBIT 21-2
VERY SMALL HOUSING CHOICE VOUCHER PROGRAM
ORGANIZATION CHART

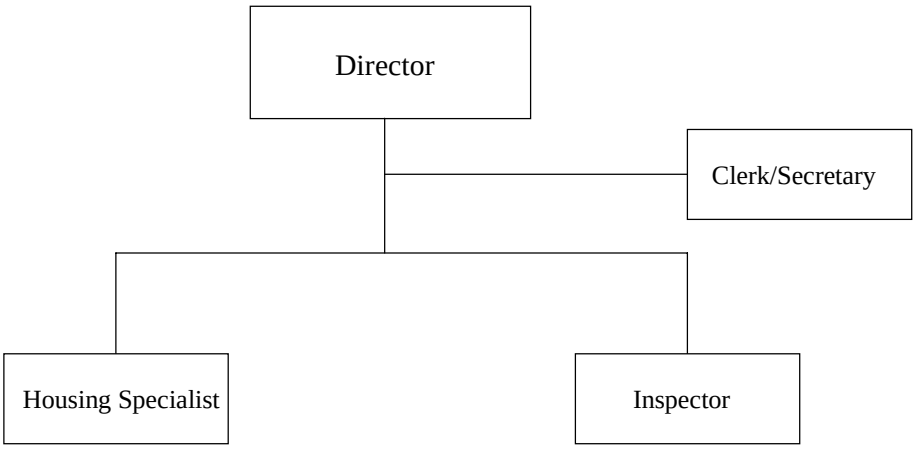
50 – 75 Units



Note:
Administrative services (finance, personnel) may be provided by parent organization or Department of government, or the HCV may provide their own administrative.

EXHIBIT 21-3
SMALL HOUSING CHOICE VOUCHER PROGRAM
ORGANIZATION CHART

250 UNITS



Note:
Administrative services (finance, personnel) may be provided by parent organization or department of government, or the HCV unit may provide its own administrative.

Exhibit 21-4, *Medium-Sized Housing Choice Voucher Program Organization Chart,* describes the structure of a medium-sized program with approximately 15 full-time equivalent staff and 2,000 – 2,500 units. More staff is involved in supervision and the director is involved in direct processing only on a supervisory level. In addition to increased supervisory positions, there is greater specialization. This example shows the inspectors being part of a unit that also completes public housing functions.

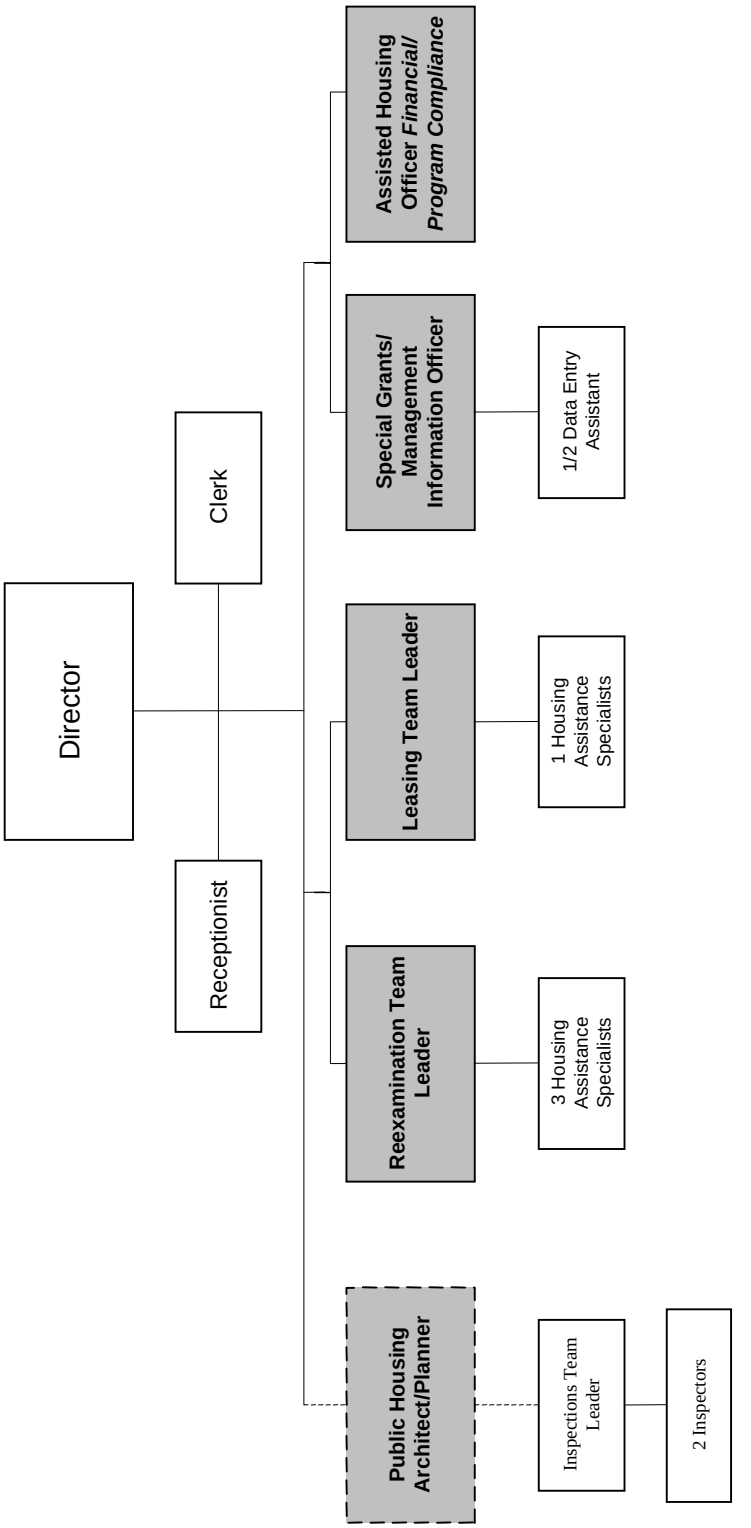
Exhibit 21-5, *Large Housing Choice Voucher Program Organization Chart,* describes a large program of 5,000 – 6,000 units with 40 full-time equivalent staff. There is more specialization and there are more supervisory positions, including a separate quality control manager and a marketing specialist. Two teams handle intake and case management, with each team also specializing in some intake and special program components.

Exhibit 21-6, *Very Large Housing Choice Voucher Program Organization Chart,* describes a very large program with more than 27,000 units and 202 full-time equivalent staff in housing choice voucher operations. However, this PHA has a number of special programs besides the housing choice voucher (e.g., a separate mobility program and contract administration of Section 8 new construction and substantial rehabilitation projects). If all special programs (including family self-sufficiency and mobility and contract administration) are excluded, there is a 167-person staff directly involved in basic program administration. There are two deputy directors, five managers, and 13 other supervisors on two levels to ensure that no supervisor has too many staff members to supervise. There is an unusual degree of specialization in intake processing, with separate teams dedicated to the waiting list, public housing relocation, and owner opt-outs.

Each of the examples refer to a specific time with a particular program mix. They should not serve as models of the best ways to organize for housing choice voucher program administration. Rather, they are illustrations of different staffing approaches. They show how the number of supervisors and levels of supervision increase as program size increases, and how specialization of job functions typically increases. Part of the increased specialization is due to the difficulty of supervising to ensure consistency among multiple staff teams which each perform a variety of complicated functions.

EXHIBIT 21-4
MEDIUM-SIZED HOUSING CHOICE VOUCHER PROGRAM ORGANIZATION CHART

2,000 - 2,500 Units

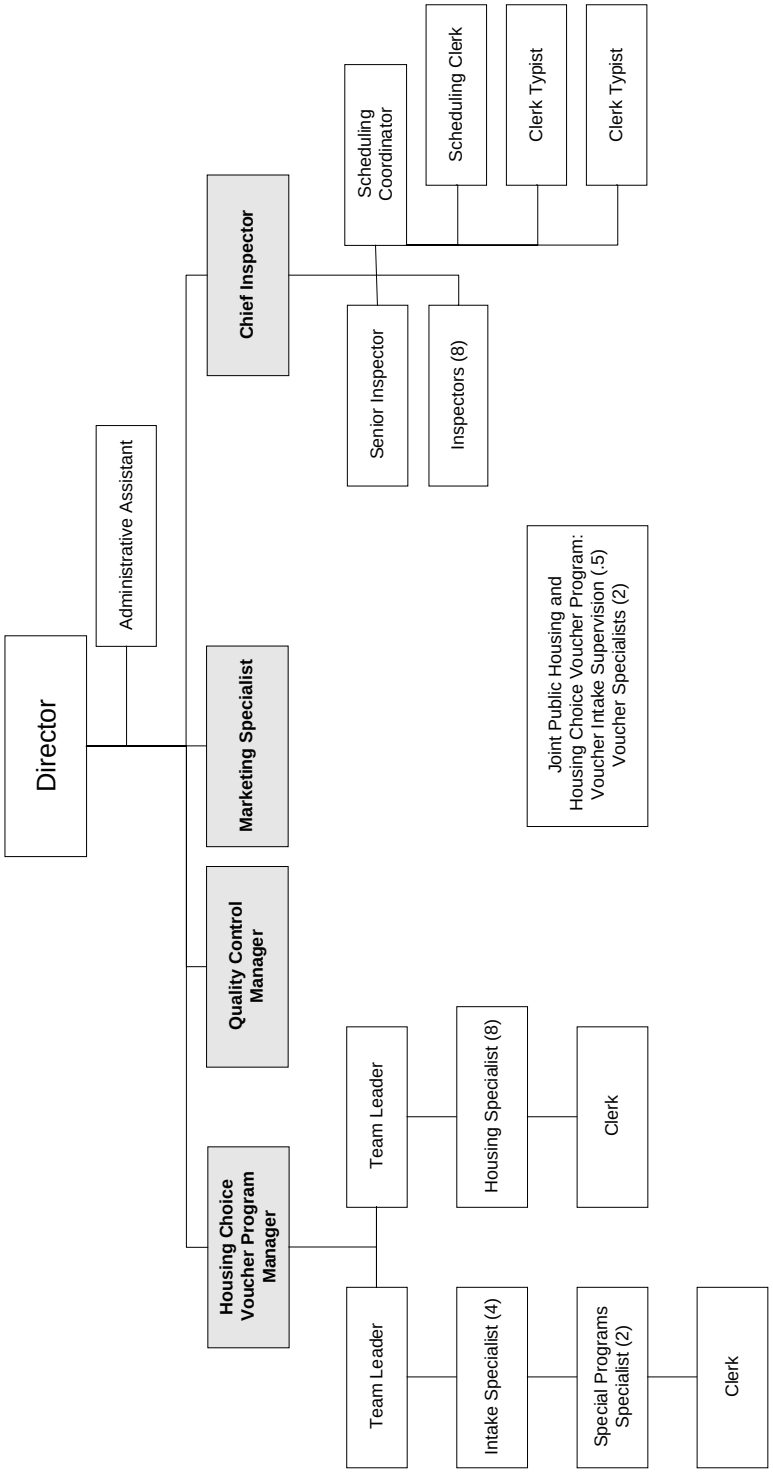


Note:

1. Housing choice voucher program inspectors are supervised by a public housing planner.
2. This agency has separated the functions of intake and reexaminations into 2 teams.

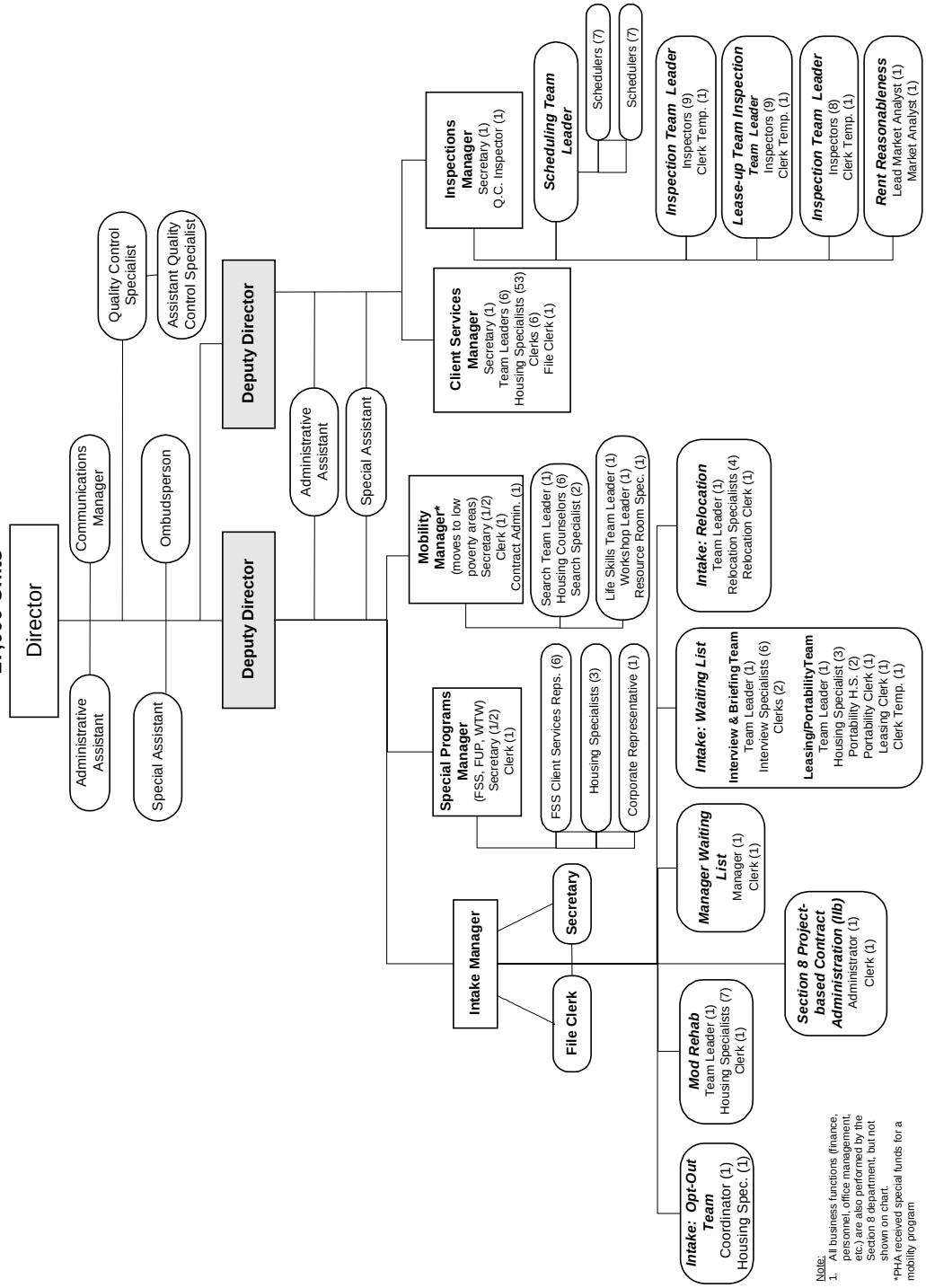
EXHIBIT 21-5
LARGE HOUSING CHOICE VOUCHER PROGRAM ORGANIZATION CHART

5,000 - 6,000 Units



Note:
1. Personnel & Financial Management & Internal Audit Services provided by other departments in agency.

EXHIBIT 21-6
VERY LARGE HOUSING CHOICE VOUCHER PROGRAM
ORGANIZATION CHART
27,000 Units



Note:
1. All business functions (finance, personnel, office management, etc.) are also performed by the Section 8 department, but not shown on chart.

*PHA received special funds for a mobility program

21.4 OVERALL STAFFING LEVELS

Little research has been conducted to compare staffing of housing choice voucher programs by size. As indicated above, even two programs of the same size may have significantly different workloads because of PHA policies or the quality of the housing stock. The following discussion provides data from a few limited studies.

In 1991 and 1994, a contractor conducted PHA surveys to identify the number of full-time equivalent staff administering rental certificate and voucher programs of various sizes. Rather than attempt to identify caseloads or staff by function, this analysis looked only at the total staff employed directly in administering the program. Table 1, *Staffing Levels by Program Size Based Upon a Survey of PHAs in 1991,* summarizes the data from the 1991 study and Table 2, *Staffing Levels by Program Size Based Upon a Survey of PHAs in 1994,* summarizes the data from the 1994 survey.

TABLE 1
STAFFING LEVELS BY PROGRAM SIZE
BASED UPON A SURVEY OF PHAS IN 1991

Total Number of Section 8 Units	Number of Responding PHAs	Average Number of Units Per Full Time Staff Member
1-49	34	38.7
50-99	41	58.5
100-199	68	80.9
200-499	103	97.9
500-999	42	119.4
1000-1999	21	141.10
2000-4999	18	147.41
5000+	14	112.91
Total	341	92.4

Source: Mail survey conducted in 1991. This included all staff involved in the rental voucher and certificate programs, including FTEs in PHA management, finance, personnel, etc., involved in the rental voucher and certificate programs. While it was prior to PHAs having large special programs, it does include staff involved in the moderate rehabilitation program. This represents approximately a 20 percent response rate among PHAs receiving the questionnaire.

TABLE 2
STAFFING LEVELS BY PROGRAM SIZE
BASED UPON A SURVEY OF PHAS IN 1994

Total Number of Section 8 Units	Number of Responding PHAs	Average Number of Units Per Full Time Staff Member
50-199	3	37
200-499	13	116
500-999	13	115
1000-4999	26	145
5000+	4	162
Total	59	128

Source: Mail survey conducted in 1994.

A smaller survey (Table 2) conducted in 1994 yielded generally higher ratios of units per staff member. This survey attempted to count only staff directly involved in operating the rental certificate and voucher programs, and excluded PHA management, finance, and personnel staff time providing overhead services to the program. The 1991 and 1994 surveys showed that as programs increased in size from 1 to 4,999 units, PHAs were able to achieve growing efficiency in staffing. However, as size increased to above 5,000 units, the 1991 survey showed a decline in efficiency while the 1994 showed further gains.

In 1999, the Ohio Housing Authorities Conference and the Cleveland HUD Office jointly conducted and analyzed surveys sent to all PHAs administering rental certificate and voucher programs in Ohio. More than 70 percent of the PHAs responded. An overall summary of the number of units per full time staff person is provided in Table 3, *Staffing Ratios by Program Size for PHAs in Ohio*. It is interesting that the Ohio study, like the 1991 study, shows efficiency gains as program size grows from small to medium size, but decreasing economies of scale as the program becomes larger.

TABLE 3
STAFFING RATIOS BY PROGRAM SIZE
FOR PHAS IN OHIO
1999

PHA Size	Number of PHAs	Unit to Staff Ratio All Staff
1-200 units	10	109.5
201-500 units	18	134.9
501 – 1000 units	13	149.1
Over 1000 units	13	127.1
All PHAs	76	131.7

Source: Unpublished survey conducted in 1999 by the Ohio Housing Authorities Conference (OHAC) and HUD-Cleveland. About 71 percent of PHAs with rental certificate and voucher programs responded.

Additional comparisons can be made using detailed data collected by a contractor between 1997 and 1999 on the operation of six large certificate and voucher programs ranging in size from 3,700 units to 37,000 units (See Table 4, *Comparison of Staffing for Six Large Section 8 Programs*.) The ratio of program units to staffing levels ranged from 116 units per staff person to 166 units per staff person. The median ratio was 150 units per staff person. It is interesting to note that the lowest ratio PHA had recently increased staff to achieve a substantial lease-up of units (requiring an investment in staff beyond what would have been needed to maintain the same number of units at a steady rate). In this analysis, all staff involved in special programs, moderate rehabilitation, contract administration, FSS, etc. (and the supervision of those functions) were eliminated to achieve a comparable measure of staff involved in basic program management and staffing. Also, for each of these programs, the parent organization provides computer, financial, and human resources support, and other overhead and administrative services.

These tables illustrate the difficulty of comparing programs. And it is important to remember that many factors beyond just program size legitimately affect staffing levels. In addition, sometimes the number of staff is greater when a PHA hires more lower-skilled workers rather than fewer higher-skilled workers. For a number of reasons, two PHAs with the same program size could have significantly different staffing requirements. One PHA has an old waiting list, from which only about 50 percent of those invited show for the interview, and of those only about 60 percent are successful. A second PHA with the same program size and a fresh waiting list usually has 90 percent of invitees show for the interview, and 90 percent of those that show are successful in leasing units under the program. The first PHA might require twice as many staff members to process intake as the second PHA.

TABLE 4
COMPARISON OF STAFFING FOR SIX LARGE SECTION 8 PROGRAMS
(ALL STAFFING FOR FSS AND OTHER SPECIAL PROGRAMS EXCLUDED)

Staff Category	PHA A No. Staff	% of Total	PHA B No. Staff	% of Total	PHA C No. Staff	% of Total	PHA D No. Staff	% of Total	PHA E No. Staff	% of Total	PHA F No. Staff	% of Total	PHA G No. Staff	% of Total
Director	0.75	3.1	1	4	1	2.6	1	2.7	1	1.5	1	0.6	1	0.4
Other Managers	0	0	0	0	0	0	0	0	0	0	1.5	0.9	1.5	0.6
Ad. Asst./Sec.	1	4.1	0	0	1	2.6	1	2.7	1	1.5	5.5	3.1	9.5	3.8
Ombudsperson	0	0	0	0	0	0	0	0	0.5		1	0.6	3	1.2
Supervisor	4.5	18.6	3	12	3.5	9.1	3	8.1	5.75	8.4	20.5	11.7	25.5	10.2
Technicians	15	61.9	13	52	26.5	68.8	25	67.6	52	75.6	120	68.4	163	64.9
Clerical	3	12.4	8	32	6.5	16.9	7	18.9	9	13	26	14.8	47.5	18.9
Total	**24.3**	**100.1**	**25**	**100**	**38.5**	**100**	**37**	**100**	**69.3**	**100**	**176**	**100**	**251**	**100**
No. of Units	3729		4140		5392		5756		8035		26,475		37,512	
Units Per FTE		154		166		140		156		116		151		150

Source: Quadel Consulting Corporation data from program reviews and interviews with PHAs staff at various sites that attempted to make a careful comparison of basic program operations, excluding moderate rehabilitation, contract administration, and all special programs.

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CHAPTER 22
PROGRAM INTEGRITY

22.1 CHAPTER OVERVIEW

PHAs maintain their credibility with applicant and participant families, owners, HUD, and the larger community by enforcing program requirements. When families, owners, or PHA employees fail to adhere to program requirements, the PHA must take appropriate action. The action that is appropriate depends on the particular case of circumstances.

PHAs should address program errors, omissions, fraud, or abuse through both *prevention* and *detection*. Preventive measures are the most effective way to deter widespread program irregularities. This chapter first discusses the important differences between program errors and omissions and fraud and abuse. It also identifies various ways PHAs can prevent and detect errors and abuses, and discusses corrective action methods.

22.2 DISTINGUISHING BETWEEN ERRORS OR OMISSIONS AND FRAUD AND ABUSE

This chapter uses the terms "error" and "omission" to identify situations in which a family or owner does not comply with program requirements or staff members incorrectly apply program rules. An error or omission may be intentional or unintentional. Some will affect family payment and subsidy amounts; others will not. It is important that PHAs carefully analyze the unique circumstances of the case to determine how to best handle the situation. Errors or omissions that affect the family's payment, subsidy amount or the regular flow of housing assistance payments should be a high priority.

"Fraud" and "abuse" mean a single act or pattern of actions made with the intent to deceive or mislead, constituting a false statement, omission, or concealment of a substantive fact. Fraud and abuse result in the payment of housing choice voucher program funds in violation of program requirements. It often occurs when families or owners intentionally fail to report required information or report incorrect information to obtain benefits to which they are not entitled. Fraud is a legal term that involves taking legal action to pursue a remedy of the situation, such as terminating program assistance.

It is important that PHA staff recognize the differences between unintentional and intentional misreporting. Particularly in cases of intentional misreporting, PHA staff must be able to evaluate the special circumstances and seriousness of the case to determine whether it is a case of fraud. PHAs must also establish policies and procedures for fair and consistent treatment of cases of intentional misreporting, abuse, and fraud. A policy that clearly defines circumstances under which a family or owner would be terminated from the program, but also allows the PHA to consider mitigating circumstances before terminating, is best.

ERRORS AND OMISSIONS VS. FRAUD AND ABUSE

Errors/Omissions	**Fraud/Abuse**
By the Family	
• Failure to report required information due to lack of understanding, such as omitting a particular asset or failing to report a source of income. • Incorrect reporting, such as reporting the income source but incorrectly stating the amount of income. • Failure to report changes as required, such as failure to notify the PHA of a change in family composition or income.	• Intentionally misrepresenting income, assets, and allowances. • Intentionally misrepresenting family composition. • Initiating and participating in bribes or other illegal activities.
By the Owner	
• Collecting housing assistance payments for an unoccupied unit, when the owner is not aware that the assisted family has vacated. • Errors in specifying responsibilities for utility payments.	• Collecting extra or "side" payments in excess of the family share of rent or requiring the family to perform extraordinary services in lieu of payments. • Charging families for utilities that are the owner's responsibility. • Collecting housing assistance payments for units not occupied by program participants. • Bribing PHA employees to certify a substandard unit as passing HQS. • Other HQS violations involving misrepresentation and deceit.
By the PHA	
• Unintentionally miscalculating subsidy/rent. • Unintentionally determining eligible families as ineligible and vice versa. • Unintentionally approving rents that are not reasonable. • Misinterpreting documentation or information provided by a third party. • Forgetting to inform the participant of a reporting requirement or to collect all required information during an interview. • Unknowingly failing to apply program rules and procedures properly. • Late processing.	• Willful passing of units not meeting HQS and/or local standards. • Accepting kickbacks from owners, managers, or families to permit participation or to allow rents in excess of the rent reasonableness limitation. • Intentionally calculating total tenant payment or housing assistance payments incorrectly. • Intentionally making incorrect determinations of family eligibility, including certifying as eligible otherwise ineligible applicants, coaching applicants to falsify documents, or changing an applicant's position on the waiting list.

22.3 PREVENTING AND DETECTING ERRORS, OMISSIONS, FRAUD, AND ABUSE

PHAs are ultimately responsible for ensuring that the right people receive the right amount of subsidy, and they must maintain a high degree of accuracy in administering the housing choice voucher program. Nonetheless, errors, omissions, fraud, and abuse will occur, and PHAs must have preventive measures in place so that any irregularity can be quickly detected and resolved as efficiently, professionally, and fairly as possible. Because preventive measures are the most effective way to deter widespread program irregularities, they should be an integral part of daily operations.

When determining which techniques to use to prevent and/or detect errors, PHAs should take into account the cost-effectiveness of the approach, specifically, whether the cost to implement the prevention/detection technique will be offset by the savings to be realized. "Savings" might include actual dollar amounts recovered (either for the PHA or on behalf of the family or owner), an estimate of erroneous payments saved, or any benefits realized in program efficiency, effectiveness, and integrity. A second consideration is whether the technique allows for the identification of errors before or after the PHA makes housing assistance payments to the owner. Errors in favor of the family or owner that go undetected present an added hardship for families and owners who may have limited means to make repayments. They also translate into increased collection costs and losses for the PHA. Detecting an error, omission, fraud or abuse later in the process is always more costly.

Eleven techniques or approaches to preventing and detecting errors, omissions, fraud, and abuse are discussed below.

Verification by PHA Staff

PHAs must independently verify all factors affecting a family's eligibility and payment including:

- Preference status;
- Citizenship status (special verification requirements);
- Annual income;
- Value of assets;
- Expenses related to allowances; and
- Other factors that affect the determination of adjusted income, such as full-time student status.

Three methods of verification are acceptable if the file is properly documented. The most acceptable form, which should always be pursued to the utmost extent, is third party verification from a reliable source. Third party verification should be either written or oral. Written verification should not be hand carried by the family. If several attempts have been made and third party verification is not possible, the PHA may rely on review of documents but must document the file to record why third party verification has not been obtained. When reviewing

documents is not possible, the PHA may require that the family sign a certification or notarized statement. For more information regarding verification requirements, see Chapter 5.

HUD Computer Matching Income Verification

Through its computer matching verification program, HUD uses Federal tax return data received from the Social Security Administration and the Internal Revenue Service (IRS) to identify potential income discrepancies (i.e. income that housing choice voucher families did not report as required when applying for initial or continued rental assistance.) The program also involves initiating administrative or legal actions to resolve income discrepancies and recapture any excess rental assistance assisted families may have received. HUD's Real Estate Assessment Center is responsible for HUD's computer matching program.

HUD is implementing its computer-matching program nationwide in an effort to detect and deter program abuses so that resources may be used to serve the most needy families. Implementation is as follows:

- HUD identifies potential income discrepancies by comparing the income reported by families and submitted by the PHA to HUD through MTCS with Federal tax data provided by the IRS and the Social Security Administration;

- If HUD identifies a potentially significant income discrepancy, HUD generates and sends a letter to the family describing the potential discrepancy. The letter requires the participant to disclose the income data shown in the letter to the PHA;

- HUD forwards the PHA a list of all families who received a letter;

- When the family discloses its income data, the PHA initiates a thorough review and takes necessary action to resolve the discrepancies; and

- HUD tracks PHA efforts to resolve the potential discrepancies.

PHAs should make a prudent effort to obtain full repayment of excess rental assistance through repayment agreements.

HUD's authority to use Federal tax return data from the Internal Revenue Service (IRS) is limited by statute to disclosure of any discrepancies to the assisted family only. HUD can only provide the PHA with a list of housing choice voucher participants to whom it has sent an income discrepancy letter but cannot disclose the Federal tax return data to the PHA. Households that receive such a letter must "promptly disclose" the letter or other notice from HUD to the PHA. No specific timeframe is specified, but HUD suggests that the family be given 30 days from the date of receipt to respond.

HUD's income matching provisions apply only to families that currently receive housing choice voucher assistance. If they have the resources to do so PHAs may, but are not required to, pursue abuses by former program participants.

POSITIVE OR FALSE POSITIVE?

It is likely that some discrepancies that HUD's Computer Matching Program identifies will not involve any intentional wrongdoing on the family's part. For example, the discrepancy may be the result of an error on the PHA's part, or the differences in income reported might be the result of the application of earned income disregards. PHA staff must be informed of the range of circumstances that might generate a false positive. Staff should also be trained to respond sensitively to families who find themselves in a situation where they have received a letter but have not done anything wrong.

Establish Quality Control Procedures

Elements of a Good Quality Control System

A good quality control system will ensure that staff's daily decisions about tenant eligibility, tenant rent, rent reasonableness, housing assistance payments, and housing quality conform to program requirements and are based on accurate information. A good quality control system is implemented regularly. Depending upon the size of the program, general program performance, and staff capabilities and experience, quality control may occur quarterly, monthly or on a more frequent basis.

Information obtained during quality control reviews should not only help identify individual errors or omissions, but it should also be collected on an aggregate basis so that the PHA can determine error rates by category and the extent and causes of errors. This level of detail allows the PHA to initiate actions necessary to prevent the recurrence of problems identified.

A good quality control system also contains procedures for taking corrective action on errors or omissions identified. For example, the staff member responsible for making the error should always be responsible for correcting the error. Staff should be provided with deadlines for correcting the errors and corrections should be reviewed for accuracy and thoroughness.

When overall error rates exceed the acceptable level, management must determine the cause of the errors and identify whether changes in operating policies and procedures need to be made to resolve the problem.

ESTABLISHING A QUALITY CONTROL SYSTEM
PHA CONSIDERATIONS

1. Who will be responsible for implementing and operating the system?
2. What information should be collected and reviewed?
3. With what frequency will the reviews occur?
4. What should be done with the information?
5. What action should be taken to correct deficiencies?
6. What preventive actions can help avoid problems in the future?

Quality Control Procedures

Quality control may take many different forms. Quality control may be in the form of routine checks, including manual and automated, that are typically built into a PHA's program management system. For example, some PHAs require that a supervisor review all new admissions and recertification transactions prior to final data entry into the PHA's computer system. Other PHAs only review the work of new employees. Quality control also occurs when managers generate and analyze standardized reports that enable them to check for internal consistency, completeness of processing, and accuracy of calculations. Another form of quality control is a thorough review of a sample of files representing different transaction types. This review occurs after staff members finish processing the file (e.g. after completion of a recertification.)

Regardless of the approach taken, quality control should include a review of the following functional areas to detect and prevent recurring errors, omissions, fraud or abuse:

- Admissions and occupancy functions: The objective of the review is to determine that the file is complete; meaning that all information, particularly income, assets, and allowances, have been properly verified; unit size is appropriate; and the subsidy, rent, and utility allowance/reimbursement calculations are correct. The review should determine if the information in the file is consistent with the family information reported in MTCS. If any of the file entries are incomplete, unverifiable, or incorrect, the quality control supervisor should record the specific error, preferably by using a standard file review form. The standardized forms can then be compiled and tabulated to summarize the results of all tenant file reviews.

- Rent reasonableness function: The objective of the review is to determine whether the rent approved by the PHA was determined to be reasonable in accordance with HUD regulations and PHA rent reasonableness procedures. This review protects against owners receiving more rent than they would if they rented their units in the private rental market. The reviewer should determine that each file documents that all steps in the rent reasonableness procedure have been completed and that the data provided supports the conclusions drawn.

- Housing Assistance Payments processing function: The objective of this review is to first determine whether the housing assistance payment to the owner is correct, based on the payment standard and family contribution. Second, this review ensures that the payment being made to the owner matches the amount shown on the PHA's HAP register. Third, it also confirms that any change in rent resulting from a recertification or interim change is properly reflected in the HAP to owner. Fourth, it protects against payments being made on a HAP contract that has been terminated. Finally, this review protects against payments for a unit that has failed HQS and where the owner has yet to correct the deficiency.

- Inspection function: The objective of this review is to examine the quality of the original PHA inspector's work and the accuracy of the inspector's determination regarding whether or not the unit complied with HQS and/or local housing code. This review prevents owners from receiving program subsidy under the program for substandard units.

Quality Control Samples

At a minimum, PHAs should select a sample (tenant files, new admissions, housing units, inspection files, etc.) that adheres to the minimum sample size requirements outlined in the regulations for the Section 8 Management Assessment Program (SEMAP). If the sample is to be drawn monthly, the files drawn should be limited to those representing transactions completed during the past month. Similarly, if the sample is drawn quarterly, it should be limited to transactions completed during the past three months. Samples should include the work of all staff responsible for the processing function being reviewed. The sample should also include a representative sample of the various transactions that may occur.

The table below identifies the sample size required based on the "universe" or the whole under consideration. The universe for selections from the waiting list will be the total number of applicants selected within the period under review. The universe for HQS enforcement will be the total number of units that failed HQS during the period.

NUMBER OF FILES/RECORDS TO BE SAMPLED	
UNIVERSE	NUMBER OF FILES/RECORDS TO BE SAMPLE
50 or fewer	5
51-600	5 plus 1 for each increment of 50 (or part of 50) over 50
601-200	16 plus 1 for each increment of 100 (or part of 100)
Over 2000	30 plus 1 for each increment of 200 (or part of 200) over 2000

Provide Adequate Training to Staff and Monitor Performance

Staff training on the objectives, rules and regulations governing the housing choice voucher program, and PHA discretionary policies and procedures significantly reduces the likelihood of errors and omissions. Training is not only important for new and inexperienced staff but for experienced staff as well. Changes in program requirements occur on a regular basis. Without training, staff may be processing cases according to rules and regulation that are no longer in effect. Training helps to avoid a common problem whereby new staff receives informal training by coworkers who may or may not be properly following program rules and internal policies and procedures. Training staff as a group helps to promote consistency and standardization of processing. In addition, it helps staff to understand how their work responsibilities relate to others' work and the overall goals of the PHA. Sending staff out to off-site workshops with staff from other PHAs provides an opportunity to gather information and ideas and perspective from individuals doing similar work. Both approaches to training staff have value.

Formalize Administrative Procedures and Monitor Staff Compliance

The PHA's administrative plan and written operating procedures are also vehicles for preventing errors and omissions. When staff have access to up-to-date, detailed written procedures, they are more likely to respond appropriately when a question or problem arises, thereby avoiding opportunities for errors. Procedures should clearly describe individual staff roles and

responsibilities. In order to provide better guidance to front-line staff, procedures should clearly define program terms and items that may be interpreted differently. The more simplified the policy or procedure, the less opportunity for error.

PHA management must also ensure that PHA policies and procedures are consistently applied by both staff and management. There should be a formal procedure for revising the procedures when the need arises.

Improve Quality of PHA Communications with Families and Owners

"Communications" includes both standard forms used by the PHA to obtain information from families and owners and information provided to families and owners about the program. When a PHA communicates well to owners and families, families and owners are less likely to commit errors, fraud, or abuse because they have a much better understanding of program requirements and the PHA's expectations of them.

Obtaining Information from Families

The quality and thoroughness of the process for obtaining eligibility information from families is a critical factor in error prevention. For example:

- Face-to-face eligibility and recertification interviews that are conducted by trained staff in a private setting may increase the ability of the PHA staff person to collect information from the family that is both accurate and comprehensive.

- Well-designed forms also help staff to collect all required information. Some PHAs have designed recertification and admission forms that require very specific and detailed information, including the recording of negative responses from families about income and assets to avoid inadvertently forgetting to ask these key questions. Some forms include questions to ensure that enough information is obtained to be able to annualize the income.

- Many PHAs require staff to complete the admission and recertification forms while the family is present to reduce the likelihood of tenant error due to misreading, misinterpreting, or simply not understanding the question being asked.

Providing Information to Families and Owners

Too often forms and certifications that the family must sign at application, admission, and recertification are hastily read or explained, putting the family members at risk of signing an important document which they do not fully understand. PHA staff should always highlight the key contents of a document before obtaining signatures on the form. Likewise, staff should consider a detailed review of the contents of the HAP contract with the owner, particularly those who are new to the program. Staff should be aware of potential language barriers and attempt to accommodate the family or owner.

Participants must be given a copy of any documents they have signed. These documents are part of the contractual agreement with the participant and may be used if it becomes necessary to take legal action based on the participant's violation of a program requirement. However, any case against a participant will be weakened if the family has not been offered copies of the documents it has signed.

Through participant and owner briefings, the admission and recertification processes, annual HQS inspections, and other oral or written communication, the PHA must regularly ensure that it fully informs families and owners about program requirements and PHA expectations. This means that staff must be fully informed of these requirements and obligations.

PHAs that are committed to preventing program abuse *regularly* inform or remind families of requirements and obligations. Opportunities for informing families include: at the time of application, at briefing and issuance, during the housing search and leasing process, at the inspection phase, and during annual or interim recertifications. At a minimum, the PHA must discuss the following with the family:

- Legal requirement to fully disclose income, assets, and family composition;
- Prohibition of making illegal side payments to the owner;
- Requirement to report interim changes in family composition; and
- PHA right to terminate assistance due to misrepresentation by the family.

At a minimum, the PHA is responsible for explaining to owners their legal responsibility to adhere to the program requirements as contained in the HAP contract. Most PHAs go over these requirements with the owner at the time of HAP contract execution. However, it is important to regularly send a message to owners regarding the PHA's commitment to prevent and eliminate program abuse. These messages can and should be sent using various mediums. For example, PHAs can use landlord fairs, special owner workshops or training, a newsletter or marketing pieces in a landlord newsletter, and special mailings to reinforce the PHA's intent to maintain program integrity and pursue owners that fail to comply with program requirements.

At a minimum, the PHA must discuss program responsibilities and prohibitions against abusing the program with employees when they are hired. In addition, the PHA should use messages it sends to families and owners regarding the PHA's intent to eliminate abuse to educate and inform employees.

Review Family History Prior to Interim or Annual Recertification

Another approach to preventing and detecting family errors and omissions is to carefully review the information reported at the most recent prior examination before meeting with the client for an interim or annual recertification. This procedure helps the staff person conducting the interview to determine whether the differences being reported are due to legitimate changes or intentional or unintentional misreporting.

Identify and Monitor "At Risk" Families

Some families, due to a lack of stable income or frequent changes in family composition, may be more at risk of (intentionally or unintentionally) misrepresenting income or family composition. By identifying who these families are and instituting procedures to monitor their cases, the PHA may prevent or more quickly detect and stop program abuse. One possibility is to require that these families be reexamined more frequently than annually. In cases where doubt exists, the PHA may attempt to verify family composition in connection with the annual or a special HQS inspection. By identifying and monitoring "at-risk" or "error-prone" cases, the PHA uses selective action techniques to target administrative resources where they will have the greatest payoff.

Conduct Special Marketing to Promote PHA's Intent to Eliminate Program Abuse

Some PHAs deliver reform messages through various media channels as a means to educate landlords, families, and the larger community on their commitment to preventing and eliminating program abuse. Actions include sending a letter to participating families emphasizing HUD's and the PHA's intent to eliminate program abuse, hanging posters in the PHA waiting room and other public areas, conducting public services announcements, and speaking at public and neighborhood association meetings and to various advocacy groups.

Rotate Staff Assignments and Caseloads

By rotating staff assignments and caseloads, managers can foster uniform and consistent interpretation of program requirements and prevent the possibility of program abuse. For example, if an employee is giving special treatment to a family or owner, this situation can be detected if the employee's caseload is taken over by another staff member. Rotating caseloads also helps to identify and resolve inconsistencies regarding how cases are being processed and how rules are interpreted.

Careful Design of Participant Interim Reporting Requirements

PHAs have discretion in designing interim recertification requirements that minimize family reporting burdens and reduce opportunities for error, both on the part of the family and the PHA. HUD rules require interim reporting of changes in household composition only. In developing an interim reporting policy, the PHA should also strive for simplicity. A family will easily remember if it is required to report all changes or no changes; any qualifications to the message will decrease the prospects for compliance.

22.4 ESTABLISHING A PROCESS FOR HANDLING CLAIMS OF POTENTIAL ABUSE

Claims and concerns regarding potential fraud and abuse can come from PHA staff, participants, owners, or members of the local community. For example, a PHA housing specialist may receive a credit report showing that a family has two jobs, when the family identified income

from only one job on its application. The PHA may receive an anonymous phone call reporting that someone is illegally living in a unit.

A PHA should establish a process whereby these accusations, claims, and concerns about potential abuse are documented and responded to as efficiently as possible by qualified staff. It is important that the process is standardized, clear, and consistently followed. Without a consistent, standardized process, PHAs are vulnerable to accusations of unfair treatment. At a minimum, the PHA should provide all participating families, owners and PHA employees with written instructions identifying PHA staff to contact if program abuse is suspected.

When a PHA has reason to believe that a family, owner, or PHA employee may have abused the program, immediate action is required to gather more information regarding the validity of the concern or claim and, if valid, the nature and extent of the abuse. The PHA should collect as much information as possible about the case so that a fair and informed decision can be made. The PHA may confront the family, owner or employee with any information it has and discuss the facts. It may also interview and obtain any additional information from other parties involved. Other parties may include PHA staff, representatives from another local agency (police, welfare agency), and other third parties, such as the person reporting the abuse, landlord, tenant, or employer.

The PHA should summarize the actions taken and the findings and recommendations of its assessment in writing. The summary should include the following:

- Name and address of the subject(s);
- Synopsis of the alleged abuse or fraudulent activity which specifies the sources;
- Name and address of known witnesses or persons having knowledge of the allegations;
- Known or suspected period during which the alleged offense occurred;
- Known or suspected monetary loss;
- Determination, based on the evidence, as to whether the subject is abusing or has abused the program and is receiving or received a benefit to which he or she is not entitled;
- Corrective action to be taken to remedy the situation.

22.5 CORRECTIVE ACTION: ERRORS AND OMISSIONS

The PHA must take immediate action to correct the family payment and subsidy amount and, in some cases, to move the family to a new unit. An amendment to the lease and HAP contract must reflect any changes to family payment and subsidy. An amendment can be in the form of a notice to the participant and owner. Unless the owner requires a new lease, execution of a new HAP contract and lease is not required.

When Family Payment Is Incorrectly Established Too High

When the family payment is incorrectly set too high, the family pays more for rent and utilities than it should under the program. As a result, the amount the PHA pays to the owner in the form of a housing assistance payment is too low.

In cases where the error or omission is the fault of the PHA, the PHA must immediately refund the total amount due to the family. Such reimbursement would come from the PHA's administrative fee reserves. If the family owed the landlord rent, the PHA, depending upon the circumstances, may choose to pay the amount due or a portion thereof directly to the owner on behalf of the family.

In cases where the error or omission is clearly the fault of the family, the PHA should not reimburse the family. Instead, the PHA would process the change immediately and provide notice to the landlord and family of the effective date of the change. Changes in the amount of family payment and housing assistance payment should become effective the month following the discovery.

When Family Payment Is Incorrectly Set Too Low

When the family payment is incorrectly set too low, the family is receiving more subsidy than it is entitled to under the program. As a result, the PHA is paying too much to the owner in the form of a housing assistance payment.

In cases where the error or omission is the fault of the PHA, the family and owner are not responsible for repayment. The PHA must give the family and owner reasonable notice of the increase in family payment and corresponding decrease in housing assistance payment. HUD does expect, however, the PHA to repay HUD the amount of overpaid subsidy due to PHA error or omission. The amount owed must be paid out of administrative fee reserves.

In cases where the error or omission is clearly the fault of the family, the family must repay the PHA within a reasonable period of time. If the amount owed is not repaid, the PHA may terminate the family's assistance. The PHA must process the change immediately and inform the landlord and family of the effective date of the change. Increases in the amount of family payment resulting from a family error or omission become effective retroactively to the time of the reporting error.

Errors Affecting the Size of the Family's Unit

In cases where a PHA error leads the family to receive subsidy for a larger unit than the size unit for which it is entitled, the PHA should immediately encourage the family to move to a smaller unit. The PHA is obligated to try to find the family reasonable, alternative housing. If the family refuses to move after the PHA identifies reasonable alternatives, the PHA must recalculate the family's subsidy based on the payment standard for the bedroom size for which it qualifies. The PHA must give reasonable notice to the family and owner of any change in payment. The PHA must process the payment change at the next annual reexamination, if not sooner.

In cases where misrepresentation by the family leads the family to receive subsidy for a larger unit than the size unit for which it is entitled, the family must repay the PHA or sign a repayment agreement to pay any amount owed. If the amount owed is not repaid, the PHA may terminate the family's assistance. If the PHA decides not to terminate the family's assistance, the PHA

must immediately adjust the subsidy according to the payment standard for the appropriate bedroom size and provide the family and owner reasonable notice of the change. The family is not required to move but if the family is unable to pay the new amount, it must give appropriate notice to the owner and PHA and move to a smaller unit.

In cases where PHA error leads the family to receive subsidy for a unit that is smaller than the size unit for which it is entitled, the PHA must immediately notify the family and owner of the problem and issue the family a voucher for the appropriate bedroom size. The PHA is obligated to try to find the family reasonable, alternative housing. If the family does not locate another unit within this time frame, the PHA must terminate assistance for the family if the unit does not meet the HQS requirements.

Errors That Require the Owner to Repay HAP Amounts

The PHA may discover that the owner is not entitled to the full amount of housing assistance payments it paid to the owner. For example, the PHA may mistakenly pay the owner the full monthly housing assistance payment twice in one month because of a record keeping or other error. Another example would be if the owner accepted a HAP payment for a unit that was not occupied by a housing choice voucher participant, i.e. the family vacated the unit with or without the knowledge of the owner. In both of these instances, the owner owes the PHA the portion of the housing assistance payment to which the owner is not entitled.

In most instances, the PHA will reclaim the amount due by withholding payment due for the subsequent month or months until the debt is paid, occasionally, if the debt is large and not the result of willful abuse, the PHA may make an agreement with the owner for payment in installments over a period of time.

Documenting and Collecting Overpayments and Underpayments

Money owed to the PHA by the family because of overpayments on its behalf may be collected by requiring a lump-sum payment of the entire amount or by entering into a repayment agreement. A repayment agreement is a formal document prepared by the PHA and signed by the family, in which the family acknowledges a debt and the amount owed. The agreement specifies how the amount owed is to be repaid, including the specific time period(s) when payment is due. The PHA, at its discretion, may offer a family the opportunity to enter into a repayment agreement to pay amounts owed to the PHA, and may prescribe the terms of the agreement. Although the PHA always has the option of requiring payment of the entire amount due, if the PHA offers a repayment agreement, the terms may not require prohibitive payments that would force the family to leave the program.

The PHA must maintain full and complete documentation of all debt. A suggested approach for determining and documenting overpayments and underpayments follows:

- Record the data used and steps taken to calculate the incorrect payment;
- Record the real data that should have been used and recalculate the payment;
- Conduct third party verification of new data;

- Compare the recalculated/correct payment to the actual benefits paid;
- Record action taken.

22.6 CORRECTIVE ACTION: FRAUD AND ABUSE

If as a result of its assessment the PHA determines that the family, owner, or PHA employee has abused the program, the PHA must take immediate actions to remedy the situation. The PHA may at any time deny program assistance to an applicant or terminate program assistance for a participant if any family member has committed fraud, bribery, or any other corrupt or criminal act in connection with any Federal housing program. The PHA's actions will vary, depending upon the extent and nature of the abuse. The PHA must determine that a preponderance of evidence demonstrates that the action taken by the family, owner, or employee was willful and intentional, in order to terminate assistance on the basis of fraud or abuse.

PHA Administrative Remedies

Possible Remedies for Abuse by the Family

If the family is ineligible for housing choice voucher program assistance, the PHA must terminate the family's assistance. See Chapter 15.

If the PHA paid too much subsidy on the family's behalf because of discrepancies in information furnished by the family *and if the PHA has sufficient evidence that the family intentionally misrepresented its circumstances,* the PHA must pursue debt collection and may terminate assistance.

If the family executes but then breaches an agreement with the PHA to pay amounts owed, the PHA may terminate assistance for the family.

The PHA has the discretion to consider all of the circumstances in each case when determining whether or not to deny or terminate assistance because of action or failure to act by members of the family. The PHA should consider the seriousness of the case, any special circumstances surrounding the case, the extent of participation or culpability of individual family members, any mitigating circumstances such as those related to the disability of a family member, and the effects of denial or termination of assistance on other family members who were not involved in the action or failure.

As a condition of continued assistance for other family members, the PHA may impose a requirement that family members who participated in or were culpable for the action or failure will not reside in the unit. The PHA may permit the other members of a participant family to continue receiving assistance. If the family includes a person with disabilities, the PHA decision concerning such action is subject to reasonable accommodation considerations.

Before taking action against a family for any perceived abuse related to the amount of assistance paid, the PHA should carefully review documentation and calculations in the file and ensure there are no file errors that may later complicate the PHA's charge of abuse.

Possible Remedies for Abuse by Owners

The PHA may immediately abate payment and subsequently terminate the HAP contract. When this occurs, the PHA must issue the family a new housing choice voucher and assist the family to locate another unit.

If the owner was collecting side payments, the PHA must notify the owner to immediately cease collecting these payments and require repayment to the family through the PHA of the full amount illegally collected. The PHA must determine if the owner also collected side payments from other participants and follow-up to require payment. The amount can be repaid by offsetting the amount due against future housing assistance payments. The PHA may, at its discretion, terminate the affected HAP contract immediately, even if the owner has repaid amounts due the family; but it must cancel the HAP contract if the owner fails to repay the family.

If the owner's unit contains HQS violations and the owner fails to correct the deficiencies cited by the PHA within the time allotted, the PHA must immediately abate payment and subsequently terminate the contract. However, the PHA should not terminate the HAP contract until the family moves or has been given reasonable time to find another unit. See Chapter 10.

If the owner has allegedly discriminated against the housing choice voucher family, the PHA must provide assistance to the family, as follows:

- The PHA must inform the family of its rights under federal, state, and local law, including the right to file a formal complaint under one or more of these laws.

- If the family wishes to file a complaint under Title VIII of the Civil Rights Act of 1968, the PHA must assist the family in completing form HUD-903, Discrimination Complaint, or refer the Family to the local fair housing organization or HUD Field Office of Fair Housing and Equal Opportunity.

If the PHA determines that the owner has committed a very serious program abuse or more than one of the offenses described above, the PHA may restrict the owner from future participation in the program for a reasonable period of time commensurate with the offense's seriousness.

Possible Remedies for Abuse by Employees

If the PHA determines that any employee has abused the program, it must take whatever action is appropriate under its personnel policies and law. Actions may include putting the employee on probation, giving the employee a poor performance evaluation, requiring the employee to take leave without pay, terminating the employee, and/or filing a criminal complaint.

HUD will consider a pattern of substantial administrative deficiencies on the part of the PHA a substantial default under the ACC, and will take appropriate action against the PHA in such cases.

Referrals for Prosecution of Purposeful Misreporting

If the PHA has reason to believe (preponderance of evidence) that the participant's or owner's abuse of the program was willful or intentional, the PHA may refer the cases to the appropriate HUD Special Agent In Charge (SAC) for investigation and possible criminal prosecution. The PHA may also pursue remedies under state or local law, with an information copy to the appropriate RIGI. Cases sent to RIGI for investigation should contain, at a minimum, the following information:

- Name and address of subject(s);
- Synopsis of alleged abuse, violation, intentional misrepresentation, or fraudulent activity, including the source of the information;
- Identity and address of known witnesses or persons having knowledge of the allegation(s);
- Known or suspected period during which alleged offense(s) occurred;
- Known or suspected monetary loss;
- Findings of the PHA or any corrective or administrative actions or sanctions taken by the PHA; and
- Indication of whether the matter has been referred to or considered by local prosecution or law enforcement agencies.

If the Justice Department or appropriate local or state agency declines prosecution, the PHA may pursue remedies through civil court.

The PHA must obtain HUD approval before initiating litigation in which it is requesting HUD assistance or participation.

22.7 RECOVERY OF PROGRAM FUNDS

Where the PHA is the principal party initiating or sustaining an action to recover amounts from tenants or owners that are due as a result of fraud and abuse, the PHA may retain a portion of the amount of housing choice voucher program funds it recovers.

Applicability

To be eligible to retain housing choice voucher program tenant and owner fraud recoveries, the PHA must be the principal party initiating or sustaining an action to recover the amounts. In addition the fraud recoveries must be obtained through one of the following:

- Litigation brought by the PHA, including settlement of a lawsuit, on or after October 8, 1986;

- Court-ordered restitution pursuant to a criminal proceeding obtained on or after October 8, 1986; or

- Administrative repayment agreement with the family or owner signed on or after October 28, 1992. The repayment agreement must be made in accordance with the PHA's housing choice voucher program informal hearing requirements.

PHAs are not eligible to retain fraud recoveries in cases of owner fraud in units owned or controlled by the PHA. Nor are PHAs eligible to retain fraud recoveries in cases where incorrect payments were made or benefits received because of the PHA's calculation errors instead of willful fraudulent activities.

PHA Retention of Proceeds

The PHA may retain the greater of:

- Fifty percent of the amount it actually collects from a judgment, litigation, or an administrative repayment agreement; or

- Reasonable and necessary costs that the PHA incurs related to the collection from a judgment, litigation or an administrative repayment agreement. Reasonable and necessary costs include the costs of the investigation, legal fees, and collection agency fees.

If HUD incurs costs on behalf of the PHA in obtaining the judgement, HUD must deduct these costs from the amount the PHA will retain.

The PHA must use the amount of the recovery proceeds it is authorized to retain in support of the housing choice voucher program in which the fraud occurred. The remaining balance of the recovery proceeds must be applied as directed by HUD. To permit HUD to audit the amounts retained, the PHA must maintain all records HUD requires, including:

- Recovered amounts;

- Nature of the judgment or repayment agreement; and

- Amount of legal fees and expenses incurred in obtaining the judgment or repayment agreement and recovery.

22.8 PHA STAFFING AND RESOURCE CONSIDERATIONS

PHA activities related to preventing, detecting, and resolving cases of program abuse by families, owners, and PHA staff should occur on an on-going basis. Therefore, adequate staffing and resources must be dedicated to these activities. PHAs can take a number of approaches to ensure that sufficient staff and dollar resources are dedicated to preventing errors and controlling fraud and abuse. The PHA may wish to contract with other agencies for the delivery of on-going

information and service functions. If an outside agency is contracted, the PHA must provide sufficient monitoring since it is ultimately responsible under the ACC for program compliance. All expenditures from handling complaints, program errors, and program abuse must be paid out of the PHA's ongoing administrative fee.

When determining the level of staff and dollar resources to dedicate to maintaining program integrity, the PHA should carefully analyze the extent to which errors, omissions, fraud and abuse are present. Staffing a sophisticated investigations unit, for example, may not be appropriate for a small PHA that has received very few complaints from landlords, participants, applicants, and the community regarding how the program is administered. Some PHAs have established a "processing threshold" whereby minor errors resulting in small overpayments by the PHA are not processed if it is determined that the cost of contacting families and owners and processing the errors is more expensive than the amount that can be recaptured.

APPROACHES TO HANDLING CLAIMS OF POTENTIAL ABUSE

- Establish a **Complaint Hotline**. Some PHAs establish a toll-free dedicated line that owners, participants, employees, and residents of the community can call during any hour of the day to report a claim of potential abuse. Some PHAs accept anonymous phone calls; other require that the caller identify him/herself.

- Create a **Fraud or Investigations Unit**. Such a unit might be responsible for responding to and investigating claims, making determination regarding the nature and seriousness of the abuse, identifying the appropriate course of action, coordinating related informal hearings or reviews, following up with legal staff, preparing repayment agreements and monitoring repayment, and establishing policies and procedures related to fraud prevention and detection.

- Hire **Ombudsman**. Among its many roles and responsibilities, the ombudsman might take the lead responsibility for responding to landlord, participant, applicant, and community complaints and claims of program abuse, ensuring that each case is handled fairly, consistently, and efficiently, and promoting to the general public the positive actions the PHA is taking to ensure program integrity.

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CHAPTER 23
FAMILY SELF-SUFFICIENCY

23.1 CHAPTER OVERVIEW

The Family Self-Sufficiency (FSS) program is intended to promote the development of local strategies for coordinating the use of housing choice vouchers with public and private resources to help eligible families achieve economic independence. The program is open to families participating in the housing choice voucher program who are unemployed or underemployed. The objective of the program is to assist these families in obtaining employment that will allow them to become self-sufficient, that is, not dependent on welfare assistance.

Participation in the FSS program is voluntary for families and is open to current housing choice voucher program participants. Families entering the FSS program work with a case manager to develop goals that will, over a 5-year period, lead to self-sufficiency. These goals may include education, specialized training, job readiness and job placement activities, and career advancement objectives. Goals for each participating family member are set out in Individual Training and Services plans that are attached to the FSS contract of participation.

When the family meets its goals and completes its FSS contract, the family becomes eligible to receive funds deposited in an escrow account on its behalf throughout the family's participation in the FSS program. The amount credited to the family's escrow account is based on increases in the family's earned income during the term of the FSS contract.

FSS program success can be broadly defined, encompassing both the number of participating families who achieve self-sufficiency and the number of family members who are helped to:

- Obtain a first job or obtain a higher paying job;
- Gain independence from public assistance;
- Obtain a high school diploma or higher education degree; or
- Accomplish similar goals that will assist the family in obtaining economic independence.

23.2 PROGRAM REQUIREMENTS: MINIMUM PROGRAM SIZE

The minimum housing choice voucher FSS program size for a housing agency is equal to:

- The number of certificate and/or voucher units awarded under the FSS incentive award competition in FY 1991/92, *plus*

- The number of additional certificate and voucher units reserved between FY 1993 and October 20, 1998 (excluding renewal funding for units previously reserved), *minus*

- The number of families who have graduated from the PHA's rental certificate or housing choice voucher FSS program on or after October 20, 1998 by fulfilling their contracts of participation.

The FSS obligation applies to all new, non-renewal funding received during this period, unless the funding has been provided specifically for families affected by:

- Termination, expiration, or owner opt-out of project-based Section 8 contracts;
- Demolition, disposition, replacement of public housing, or voluntary conversions of public housing;
- Conversion of a Section 23 project;
- Sale of a HUD-owner project;
- Prepayment of a mortgage or voluntary termination of mortgage insurance.

The minimum program size refers to the number of families the PHA is required to enroll and graduate from the FSS program. Each time a family fulfills its FSS contract (on or after October 20, 1998) and "graduates" from the program, the PHA's minimum program size is decreased by one slot. If a family leaves the program but does not complete its obligations under the contract of participation, the vacated slot must be filled by another eligible family.

PHA Option to Operate a Larger Program

A PHA has the option to administer a voluntary FSS program or an FSS program larger than its mandatory minimum program size but must amend its FSS action plan to reflect the larger program size.

If a PHA that is mandated to administer an FSS program elects to operate a larger program, the SEMAP measure of families with escrow accounts will be based on the *total* number of participating families.

Exceptions to the Minimum Program Size

Under special circumstances, a PHA may request HUD approval for:

- An *exception* from the requirement to establish and carry out an FSS program; or
- A *reduction* in the required minimum program size.

The PHA must certify to its HUD field office that establishing an FSS program or achieving the minimum program size is not feasible because of local circumstances, including:

- *Lack of Supportive Services.* The PHA must describe what was done to obtain supportive services, including contacts made, numbers and types of organizations contacted, and outcomes resulting from those contacts.

- *Lack of Funding for Reasonable Administrative Costs.* The PHA must explain all funding sources it has considered in addition to housing choice voucher administrative fees and administrative fee reserve. The PHA must document efforts to raise funds from non-public sources. The PHA must indicate whether or not it applied for and received housing choice

voucher program coordinator funding under the annual Notice of Funding Availability (NOFA). If they did not apply, it must explain why it did not. Local HUD field offices are expected to assist the PHA in identifying possible funding sources prior to granting an exception.

- *Lack of Cooperation by Units of State and Local Government.* The PHA must document and describe the efforts it has made to gain cooperation from the government units, identify officials contacted, identify the type of cooperation requested, and provide a reason why the lack of cooperation by the government units will jeopardize the continuation of the FSS program. Prior to granting an exemption, HUD must contact the government officials to verify the information and provide the appropriate intervention to assist the PHA in obtaining cooperation from state and local government units.

- *Lack of Family Interest*. The PHA must document the efforts it has made to recruit participating families into the FSS program. Since the advent of welfare reform, families receiving TANF and other welfare-related benefits can reasonably be expected to be interested in a program that will provide assistance to become self-sufficient. Therefore, HUD will not grant a complete exception because of family lack of interest, and will rarely approve a reduced program size for this purpose.

HUD will not approve an *exception* to the requirement that a PHA establish and operate an FSS program unless it determines that local circumstances preclude the operation of an FSS program of any size.

A full or partial exception to the minimum program size granted by HUD remains in effect for a period of three years from the date of HUD's approval. If a PHA wishes to continue an exception after its expiration, it must submit a new request and a new certification to its HUD field office.

The minimum program size for the housing choice voucher program may not be met through FSS participation by public housing residents. Families in the moderate rehabilitation program are not eligible for FSS participation. However, PHAs may issue a housing choice voucher to families that live in moderate rehabilitation projects who are interested in participating in FSS and are willing to move.

23.3 DESIGN AND ADMINISTRATION OF SELF-SUFFICIENCY PROGRAMS

Program Coordinating Committee

PHAs are required to establish Program Coordinating Committees (PCCs) to assist in securing commitments from public and private resources to operate the FSS program. The PCC should also assist the PHA in the development of the FSS action plan and in program implementation.

PCC membership must include PHA representatives and housing choice voucher program participants or public housing residents. A PHA may use the same PCC for both its public housing and housing choice voucher FSS programs.

PCC members should include also representatives from:

- Local government
- Local job training programs funded by the Federal Department of Labor (DOL), and

- Other service organizations, including employment agencies, public child welfare agencies, public/private education or training institutions, child care providers, non-profit service providers, and private businesses.

Representatives from service organizations, civic groups, government agencies, and other community organizations should have the authority to dedicate resources to the FSS program. If the person who has the authority to commit resources does not have the time to participate in FSS activities, it may be wise to include an additional member of the organization.

An existing group may be used as the PCC if the membership of that entity is drawn from appropriate organizations. Neighboring PHAs may also use the same PCC.

FSS Action Plan

Prior to implementing an FSS program, PHAs are required to develop an FSS action plan that describes the policies and procedures for the local operation of the program.

In developing the action plan, the PHA must consult with the local chief executive officer and the PCC. The initial action plan must be submitted to HUD for approval. Thereafter, changes to the action plan do not require HUD approval unless the PHA proposes to make *policy changes* to the plan or to *increase the size of a voluntary program*.

The action plan must contain the following information:

- *Family demographics:* A description of the characteristics of the families expected to be served in the FSS program (including ethnic and racial data, program size) and the supportive service needs of the expected population.

- *Estimate of participating families*: An estimate of the number of eligible families who can reasonably be expected to receive service based on available resources. If families from another self-sufficiency program are expected to enroll in the FSS program, the number of those families must be estimated also.

- *Outreach efforts:* A description of the PHA's outreach efforts scheduled to recruit FSS participants from among eligible families and to provide FSS information to minority and non-minority families.

- *Incentives to encourage participation:* A description of the incentives that the PHA intends to offer eligible families to encourage participation in the FSS program, including FSS escrow accounts.

- *FSS activities and supportive services:* A description of the activities and supportive services to be provided by both public and private resources to FSS families.
- *Method for identification of family support needs:* A description of how the PHA will identify the needs and deliver the appropriate support services to the participating families.
- *Assurances of non-interference with the rights of non-participating families:* A statement that provides an assurance that a family's election not to participate in the FSS program will not affect the family's participation in the housing choice voucher program.
- *Timetable for program implementation*: A schedule for program implementation and for filling all FSS slots with eligible FSS families.
- *Certification of coordination:* A certification that the development of the services and activities scheduled to be provided under the FSS program has been coordinated with public and private providers including the JOBS program, JTPA, DOL-funded job training programs and other employment, childcare, transportation, training and education programs. The Plan must state that implementation will continue to be coordinated with these local public and private providers in order to avoid duplication of services.
- *Optional additional information:* Any additional information that supports the soundness of the PHA's proposed FSS program.

The action plan must also describe all FSS policies over which the PHA has discretion, including at least:

- Policies and procedures for selecting FSS participants;
- Policies for terminating or withholding housing choice voucher program assistance, supportive services or FSS participation for failure to comply with the contract of participation;
- Actions to be taken if an FSS family underreports income or assets;
- The hearing procedures for FSS families;
- Policies for denying FSS participation to families owing money to the PHA or to families previously terminated from the FSS program; and
- A policy providing FSS selection preference for portable families if the PHA will give portable families preference for FSS participation.

Program Administration

Selection of Participants

Only current housing choice voucher program participants are eligible to participate in the housing choice voucher FSS program.

A PHA may give selection preference for up to 50 percent of its FSS slots to families with a member already enrolled in an FSS-related service program or currently on the waiting list for such a program. If the PHA adopts a selection preference for these families, the FSS action plan must describe:

- The percentage of FSS slots for which preference will be given;
- The program or programs that qualify a family for the selection preference; and
- The method of outreach and the procedures for selecting families enrolled in qualifying programs.

For those families to be selected without preferences, the PHA must adopt (and describe in its action plan) an objective selection system such as:

- A lottery;
- The length of time the family has lived in subsidized housing;
- The date the family expressed interest in FSS.

The PHA may screen families for interest and motivation to participate in the FSS program. Permitted screening includes requiring attendance at FSS orientation sessions or interviews or assigning tasks which indicate willingness to undertake FSS obligations (e.g., contacting job training or educational program referrals).

Public housing agencies may not screen based on a family's educational level, test results, previous job history or job performance, credit rating, marital status, number of children, skills, or any other factors which may discriminate against persons with disabilities or other minority or non-minority groups.

23.4 THE CONTRACT OF PARTICIPATION

FSS requires execution of the FSS Contract of Participation (form HUD-52650) between the PHA and the head of the participating FSS family. The head of the FSS family must be the head of household for eligibility and rent determination purposes. The contract specifies the obligations of each party. An Individual Training and Services Plan (ITSP) is attached to the contract, and lists the services to be provided to each participating family member, the activities to be completed by the family member, and the agreed-upon completion dates of the services and activities. The ITSP establishes specific interim and final goals by which the PHA and the family can measure the family's progress toward self-sufficiency. For all FSS families there is a required interim goal of receiving no welfare assistance for the 12 months before the FSS contract is completed. The contract also requires that the family comply with its lease with the owner.

The contract of participation must be executed no more than 120 days after the household's most recent annual or interim reexamination. If more than 120 days have passed since the last

reexamination, a new reexamination must be completed. The contract lists the family's current annual income, the amount of earned income, included in the annual income and the family's total tenant payment when the family begins its FSS participation. During the term of the contract, increases in earned income and total tenant payment are compared to the amounts listed in calculating escrow credits.

The contract is effective the first of the month after execution of the contract of participation.

Term of Contract

The initial term of the contract of participation is five years. The PHA may grant an extension of no more than two years in response to a written request from the family explaining the need for the extension, if the PHA determines that there is good cause for granting the extension. "Good cause" includes circumstances beyond the control of the family such as:

- Serious illness, or
- Involuntary loss of employment.

The PHA may also extend the contract of participation to allow a family time to meet its required interim goal of remaining off welfare for 12 consecutive months.

The contract is considered to be completed, and a family's FSS participation is concluded, when:

- The family has fulfilled all of its obligations under the contract *on or before the expiration of the contract*; or

- 30 percent of the monthly adjusted income equals or exceeds the published FMR for the family unit size under the PHA's subsidy standards. (To claim its escrow, no family member can be receiving welfare as defined by the FSS regulations, but the 12 consecutive months requirement does not apply.)

- Although successful completion of the contract requires that no member of the family be receiving welfare assistance, the family may still receive rental assistance at the time of and after the family's successful completion the FSS program.

Individual Training and Service Plans

Every FSS contract must include a training and service plan for the head of the family that commits the family head to seek and maintain suitable employment. The training plan should include clearly stated goals with specific deadlines. Other family members can also have individual training and service plans. Exhibit 23-1, *Family Self-Sufficiency Program Individual Training and Services Plan* provides a sample training and services plan.

EXHIBIT 23-1

Family Self-Sufficiency Program
Individual Training and Services Plan

Name of Participant	Social Security Number
Jim Blue	123-45-6789

Final Goal
Maintain full-time employment and pursue higher salary opportunities.

Interim Goal Number ___1___
Obtain GED certification

Date Accomplished _____

Activities/Services	Responsible Parties	Date/s
Take placement test		
Start classes		
Maintain attendance		
Complete program and bring proof of completion		
Contact FSS representative on a monthly basis		

Interim Goal Number ___2___

Obtain Construction Certification

Date Accomplished_____

Activities/Services	Responsible Parties	Date/s
Take placement test		
Start class		
Maintain attendance		
Complete program and bring proof of completion		

Interim Goal Number ___3___

Obtain full-time employment

Date Accomplished_____

Activities/Services	Responsible Parties	Date/s
Attend job recruitment		
Attend job fair		
Research through newspaper		
Submit resume		
Obtain employment and report income to housing specialist		

Interim Goal Number ___4___

Achieve independence from TANF grant

Date Accomplished _____

For families currently receiving welfare assistance, the interim goals must include independence from welfare assistance for at least 12 consecutive months before the expiration of the contract of participation. Although the head of the family is required to seek and maintain employment during the term of the contract, it is permissible for the head to attend school full-time prior to the search for employment. There is no minimum employment period.

Prior to execution of the contract of participation, the PHA must determine if employment goals proposed for inclusion in the individual training and services plans are appropriate goals considering the participant's skills, interests, education, and the jobs available in the local market. FSS employment objectives should generally include jobs with growth potential. Training and service plans should be reviewed regularly with the family and changed as necessary to reflect new interests and circumstances.

Contract Modifications

The contract language may be modified by the PHA to delete reference to termination of the housing choice voucher assistance for a family's failure to comply with the FSS contract.

The PHA may modify the contract of an FSS family by mutual agreement with the family to:

- Amend the Individual Training and Services Plan;
- Extend the contract term for up to two years; or
- Change the head of the family if the designated head moves and leaves family members in the assisted unit.

A PHA may find it necessary to modify a family's contract of participation if a social service agency fails to deliver supportive services pledged under the family's ITSP. If that service or another can be provided by another agency, the PHA should make a good-faith effort to secure services elsewhere. If the services cannot be obtained from another agency, the PHA must determine whether the services are necessary for the family's advancement toward self-sufficiency. If the services are not necessary, they can be deleted from the ITSP. If the services are necessary, the PHA may be forced to declare the contract null and void. Nullification of the contract when services are unavailable will not be grounds for termination of the family's rental assistance.

Termination of Contract

The FSS contract of participation is automatically terminated when the family's housing choice voucher assistance is terminated in accordance with HUD requirements. The contract may also be terminated by:

- Mutual consent;
- Failure of the family to honor the terms of the contract;

- The family's withdrawing from the FSS program;
- Any other act deemed inconsistent with the purpose of the FSS; or
- Operation of law.

The PHA must adopt policies specifying the grievance procedures available to FSS participants wishing to grieve a PHA decision relating to the family's FSS participation.

Terminating Housing Choice Voucher Program Assistance

Program regulations allow the PHA to terminate housing choice voucher assistance and/or withhold services for families who fail without good cause to comply with the terms of the FSS contract. However, terminating assistance is likely to have a negative impact on the PHA's ability to enroll additional families in the FSS program and the PHA may opt to adopt a policy that it will not terminate housing choice voucher assistance for failure to comply with an FSS contract. Termination of assistance made sense before program rules were changed and families could be selected from the waiting list for the FSS program. Now that only families already receiving assistance can be selected, a practice of terminating the assistance of FSS families will discourage participation. A PHA may adopt a policy that housing assistance will not be terminated for a failure to comply with FSS program requirements. Instead, to the greatest extent possible, PHAs should work with participants to modify the ITSP as needed to keep participants working toward self-sufficiency.

A PHA's policies to terminate or not to terminate housing assistance for non-compliance with the ITSP or other terms of the FSS contract must be formally included in the policies in the administrative plan. A policy to terminate assistance must include procedures for offering an informal hearing before assistance is terminated.

23.5 FSS Escrow Accounts

The FSS program provides for the establishment of an escrow account. The full amount of the escrow account in excess of any amount owed to the PHA becomes available to the family when it has fulfilled its obligations under the contract of participation and has certified that no family member is receiving welfare assistance.

The amount of the escrow credit is based on increases in the family's total tenant payment resulting from increases in the family's *earned* income during the term of the FSS contract.

Escrow Account Credit Calculations

As a family's income increases, the PHA calculates rent and the family pays increased rent, as does any other subsidized tenant. The PHA then makes deposits to an escrow account in the appropriate amount based on one of two formulas, one for very low-income families and one for low-income families.[1]

[1] Very low-income families are families whose annual incomes are at or below 50% of the median income for the area. Low-income families are those with annual income between 50% and 80% of the area median income.

For very low-income housing choice voucher households, the FSS credit is the lesser of:

- 30 percent of the family's current monthly adjusted income less the total tenant payment (TTP) which is obtained by disregarding any increase in earned income from the effective date of the contract of participation; or

- The current TTP less the TTP on the effective date of the contract of participation.

EXAMPLE: ESCROW CREDIT CALCULATION, VERY-LOW INCOME FAMILY

a)	30% of current monthly adjusted income	$220
	Less TTP calculated without increased earnings	- 120
	Equals that portion of TTP based on increased earnings	$100
b)	Current TTP	$220
	Less TTP at effective date of contract of participation	- 90
	Equals the amount by which TTP has increased	$130

The FSS escrow credit is the *lower* of a or b; therefore, the monthly escrow credit is $100.

If the TTP had increased less than $100, the escrow credit would be limited to the amount the TTP had increased.

For low-income housing choice voucher families, the FSS credit is calculated in the same manner but may not exceed the amount that would result if the family income were equal to 50 percent of median income.

EXAMPLE: ESCROW CALCULATION, LOW-INCOME FAMILY

Family's adjusted annual income is $19,250

Applicable very low-income limit is $17,500

a)	30% of Monthly Adjusted Income ($17,500 -:- 12 x .30)	$438
	Less TTP calculated without increased earnings	- 120
	Equals that portion of TTP based on increased earnings	$318
b)	Current TTP (from calculation above)	$438
	Less TTP at effective date of contract of participation	- 90
	Equals the amount by which TTP has increased	$348

The monthly escrow credit is $318.

Families whose income goes above the low income limit (above 80% of median) will not receive any escrow credit, but may continue as participants in the FSS program until:

- End of participation in the housing choice voucher program;

- The expiration of their contracts of participation;

- All contract obligations have been completed; or
- 30% of their adjusted income equals or exceeds the published FMR for the family unit size under the PHA's subsidy standards.

The PHA must compute escrow credit at any time it conducts an annual or interim reexamination of income for an FSS family during the term of the contract of participation.

> PHA POLICY ON INTERIM REEXAMINATION OF INCOME
>
> The PHA must use the policy stated in its administrative plan regarding the obligation of all housing choice voucher families to report increases in income.
>
> If the PHA's policy for its housing choice voucher program is not to conduct interim reexaminations for increases in income, the PHA may not conduct interim reexaminations for FSS families.
>
> If the PHA's policy allows, but does not require families to request interim reexaminations for increases in income, FSS families may prefer to report such increases to increase their escrow account balances.

All increases in a family's earned income, even increases resulting from changes in family status, are included in the escrow calculation. Examples of changes in family status that might result in an increase in earned income are:

- A family member with earned income is added to the household through marriage.
- An employed family member turns 18.

Earned income is defined as:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- The net income from the operation of a business or profession; and
- All regular pay, special pay, and allowances of a member of the Armed Forces (expect special pay to a family member exposed to hostile fire).

Because the escrow is based on the total tenant payment (TTP) resulting from increases in earned income, there is no escrow credit if current TTP is less than the TTP at execution of the contract of participation. Increases in income that are not earned income do not result in an escrow credit. Furthermore, the escrow credit is based on increases in TTP the family pays; therefore, there is no escrow credit earned if a family fails to pay its rent.

For families who have converted to the FSS program from project self-sufficiency or operation bootstrap, the figures included in the contract of participation for annual income, earned income and TTP are based on family circumstances on the effective date of the FSS contract.

If an FSS family has fraudulently underreported income and the PHA decides not to terminate assistance, the family's escrow credit is based on the lower rent originally calculated.

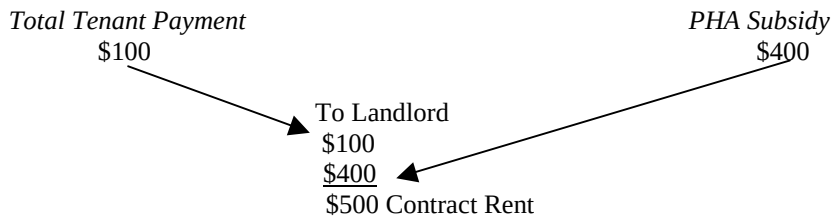
Establishing Escrow Accounts

FSS escrow funds must be deposited into a single, interest-bearing depository account. The accounting for these funds should be supported through a subsidiary ledger that records the balance of each individual FSS participant's account.

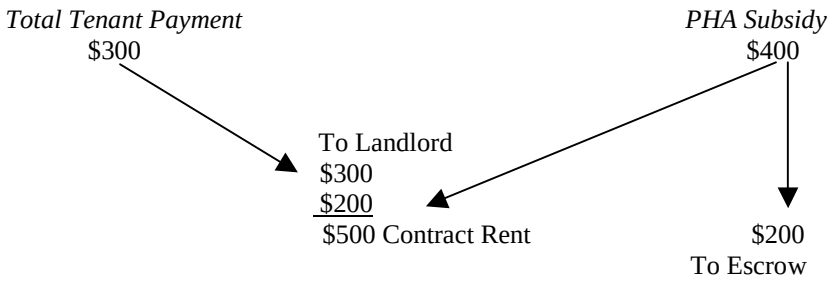
The PHA obtains funds for its FSS escrow deposits from housing assistance payments (HAP) requisitioned from HUD. When earned income causes the TTP to increase, the family rent to the owner increases, and the HAP to the owner decreases, but the HAP requisitioned from HUD does not decrease.[2] The difference between the (higher) HAP requisitioned from HUD and the (lower) HAP paid to the owner is available for the escrow deposit. PHAs should be certain that funds for the escrow accounts are requisitioned properly. The amount of the HAP, including the escrow amount, is used in calculating the PHA's renewal needs.

EXAMPLE

AT CONTRACT SIGNING: No employment income. Contract Rent is $500



AT FIRST REEXAMINATION: Employment income increases TTP to $300.
Contract Rent is still $500.



[2] In the FSS program, the HAP requisitioned from HUD could decrease if the payment standard or the rent to owner decreased, but would not decrease due to increase in the TTP.

Investment income must be credited periodically, but no less than annually, to each participating family's ledger account based on the balance in each account at the end of the period for which the investment income is prorated. If the PHA has information that the family owes the owner for unpaid rent or other amounts due, the amount credited to the family's account should be reduced by the amount owed.

The PHA must report to the family at least annually on the escrow account including:

- The balance at the beginning of the reporting period;
- The amount credited during the period;
- Any deductions made from the account for amounts due the PHA before interest was distributed;
- The amount of interest earned on the account; and
- The total in the account at the end of the reporting period.

The U.S. Internal Revenue Service (IRS) has confirmed to HUD that an FSS family will have no income tax liability for funds held in the escrow account or for escrow payments made at the completion of the contract. The HA does not submit an IRS form 1099 for any FSS accounts.

If, before the PHA credits earnings to each escrow account, an owner has reported that a family has not paid its rent or other amounts due the owner, the PHA must reduce the balance in the FSS account by the amount owed before prorating the interest income. Exhibit 23-2, *Escrow Credit Calculation Example*, provides a case study demonstrating the calculation of the monthly escrow credit using the optional escrow worksheet.

Disbursement of FSS Account Funds

A family is eligible to receive its escrow account:

- When it has completed all of its obligations under the contract of participation and the head of the family certifies that no family member has received welfare assistance for the previous 12 months; or
- When 30% of its adjusted income equals or exceeds the FMR for the family, the family will be considered to have completed all of its obligations even though family members have not completed all the activities in their ITSP. In this circumstance, the head of the family must certify that no family member is receiving welfare, but the requirement to have been off welfare assistance for a year does not apply.

The escrow payment is the amount in the family's escrow account, less any amount owed to the PHA. Before disbursement of the escrow account funds to the family, the PHA may verify that the family no longer receives welfare assistance.

For the FSS program only, welfare assistance is defined as income assistance from federal or state welfare programs and includes only cash maintenance payments designed to meet a family's ongoing basic needs. Welfare assistance does not include:

- Nonrecurring, short-term benefits that are designed to deal with a specific crisis, are not intended to meet ongoing needs, and will not extend beyond four months;
- Work subsidies (e.g., payments to employers or third parties to help cover the costs of employee wages, benefits, supervision and training);
- Supportive services (such as child care and transportation), provided to families who are employed;
- Refundable earned-income tax credits;
- Contributions to, and distributions from, Individual Development Accounts under TANF;
- Services that do not provide basic income support such as counseling or case management;
- Transportation benefits provided under a Job Access or Reverse Commute project to an individual who is not otherwise receiving assistance;
- Amounts solely directed to meeting housing expenses;
- Amounts for health care;
- Food stamps and emergency rental and utilities assistance; and
- SSI, SSDI, or Social Security.

If the original head of household no longer resides with the FSS family, the family may designate another family member to receive the escrow account funds.

Interim Disbursement of Escrow Funds

The PHA may allow the family to receive a portion of its escrow funds early, if the PHA determines that the family has fulfilled established interim goals and requires a portion of the FSS escrow account funds for purposes consistent with the contract of participation. Before agreeing to an early disbursement, the PHA may prefer to help the family seek other sources for the funds needed so that the escrow account will not be depleted.

If the family does not complete its FSS contract, the family is not required to repay the amount received as an interim disbursement unless the advance payment was made based on fraudulent information from the family. Early disbursement of escrow funds is at the PHA's sole option.

NEEDS FOR WHICH ESCROW FUNDS MIGHT BE DISBURSED EARLY

Examples of needs for which escrow funds might be disbursed are:

- Completion of college or graduate school, job training;
- Start-up expenses involved in the creation of a small business;
- The purchase of an automobile for transportation to work; or
- Purchase of a home.

EXHIBIT 23-2
ESCROW CREDIT CALCULATION EXAMPLE

Frances S. Sanders has two dependents. She was receiving $5,160 per year in TANF when she enrolled in FSS with a plan to work part-time at the hospital while attending school part-time toward a degree in nursing. Franny's rent when she enrolled in FSS was $105.

TANF grant	$5,160
Allowance for 2 minors	- 960
Adjusted Income	$4,200
Total Tenant Payment	$105

First Annual Recertification: When Franny began her part-time job, she had employment earnings of $2,100 per year and her TANF was reduced to $3,100. Most of her day care was subsidized but she had babysitting costs of $300 a year to cover evening classes.

Staff expected Fanny to receive an escrow credit because her earned income had increased. However, when staff completed the optional escrow credit worksheet, there was no escrow credit indicated. The reason is that although Franny's earned income had increased, her total tenant payment had decreased. The escrow credit is based on increases in the total tenant payment resulting from increases in earned income. The total tenant payment calculation at the interim reexamination was as follows:

Earned income	$ 2,100
TANF grant	$ 3,100
Annual Income	$ 5,200
Allowance for 2 minors	- 960
Allowance for child care	- 300
Adjusted Income	$ 3,940
÷ by 12 months x 30% =	$ 99

Second Annual Recertification: At the time of her second annual recertification, Franny had arranged her class schedule so that she could work more hours. She no longer received TANF. Her salary was $13,000. Because she was taking more night classes, her child care costs increased to $500 per year.

The escrow credit calculation for the annual recertification is illustrated on the optional worksheet on the following page.

EXHIBIT 23-2 - CONT'D

Family Self-Sufficiency Program
FSS Escrow Account Credit Worksheet

Escrow credit must be determined at each reexamination and interim determination occurring after the effective date of the FSS contract of participation while the family is participating in the FSS program.

Head of the FSS Family	Date:
1. Current Annual Income	1. $13,000
2. Applicable Lower-Income Limit (Enter the current lower-income limit for the jurisdiction in which the FSS family is living.)	2. 25,000
3. Current Adjusted Income	3. 11,540
4. Earned income included in line 1	4. 13,000
5. Earned income included in Annual Income on effective date of the FSS contract of participation. (Either amount from contract of participation.)	5. 0
6. Increase in earned income since the effective date of the FSS contract of participation. (Subtract line 5 from line 4. If negative, enter 0.)	6. 13,000
7. Current Annual Income less increase in earned income since the effective date of the FSS contract of participation. (Subtract line 6 from line 1.)	7. 0
8. Thirty percent of current monthly Adjusted Income	8. 289
9. Current Adjusted Income less increase in earned income since the effective date of the FSS contract of participation. (Subcontract line 6 from line 3.)	9. 0
10. 30% of current monthly Annual Income less increase in earned income since the effective date of the FSS contract of participation (Line 9 divided by 40)	10. 0
11. 10% of current monthly Annual Income less increase in earned income since the effective date of the FSS contract of participation (Line 7 divided by 120)	11. 0
12. If applicable, welfare rent or public housing ceiling rent.	12. NA
13. TTP based on current Annual Income less increase in earned income since effective date of the FSS contract of participation (If rental vouchers, enter the amount on line 10, otherwise, enter the greater of line 10, 11, or 12.)	13. 0
14. Difference between 30% of current monthly Adjusted Income and TTP adjusted for increases in earned income. (Subtract line 13 from line 8. Enter 0 if negative.)	14. 289
15. Current TTP, enter the amount on line 8 of this form.	15. 289
16. TTP on effective date of the FSS contract of participation or, in the case of rental vouchers, 30% of monthly Adjusted Income on effective date of the FSS contract of participation. (Enter amount from contract of participation.)	16. 105
17. Difference between current TTP and TTP on effective date of the FSS contract of participation. (Subtract line 16 from line 15. Enter 0 if negative.)	17. 184
18. Enter the lesser of line 14 or line 17.	18. 184
19. Applicable Very Low-Income Limit (enter the current very low-income for the jurisdiction in which the FSS family is living.)	19 18,000.
20. Amount by which Adjusted Income exceeds the Very Low-Income Limit (Subtract line 19 from line 3.)	20. 0
21. 30% of the amount by which Adjusted Income exceeds the Very Low-Income Limit (Line 20 divided by 40)	21. 0
22. Escrow credit (Subtract line 21 from line 18.)	22. $184

This is not a prescribed HUD form but is used only to illustrate the process outlined below.

Forfeiture of Escrow Accounts

An FSS family will forfeit its escrow account if the contract of participation is terminated, if the family is still receiving welfare at the expiration of the contract term, or if the contract obligations have not been completed because the head of the FSS family did not become employed.

When a family's escrow account is forfeited, the funds in that account are returned to the PHA's general accounts and treated as additional program receipts for payment of approved program expenses such as housing assistance payments under the PHA budget.

23.6 PORTABILITY OF FAMILY SELF-SUFFICIENCY

A family participating in the FSS program is generally required to lease a unit in the community issuing the housing choice voucher for a minimum of 12 months after the effective date of the contract of participation. A PHA can, however, approve a move out of the community during the first year for good cause. After the first year, the family may move to a unit in another community so long as it has complied with the terms of the existing lease. The PHA may not adopt policies that would prevent or limit an FSS family's ability to move to another jurisdiction with its voucher.

Some relocating families will continue participating in the FSS program of the initial PHA; others may be admitted to the FSS program at the receiving PHA. To continue with the initial PHA's program, the family must demonstrate to the satisfaction of the initial PHA that it will be able to fulfill its responsibilities under the initial or a modified contract of participation.

The relocating family may participate in the receiving PHA's FSS program if it is admitted to the program by the receiving PHA. If the family is admitted to the receiving PHA's FSS program, the receiving PHA will enter into a new contract of participation with the FSS family for the remaining time in the family's initial contract. When it prepares the new FSS contract, the receiving PHA must use the initial income and rent information from the contract executed when the family first began its FSS participation.

The initial PHA will maintain the FSS escrow account until/unless the receiving PHA absorbs the family into its housing choice voucher program. If the receiving PHA absorbs the family, the initial PHA will transfer the family's FSS account to the receiving PHA.

If the FSS family fails to fulfill its FSS contract obligations after moving to another jurisdiction, the PHA which executed the contract of participation may terminate the family from the FSS program and has the option of terminating the family's housing choice voucher assistance. If the family fails to complete its obligations under the contract of participation, the escrow funds will be treated as program receipts of the PHA maintaining the account.

The PHA administrative plan should address the PHA's policy toward FSS families wishing to relocate *into* the PHA's jurisdiction. For all voucher holders, the plan must state whether the agency will absorb a family from another jurisdiction or administer the unit for the initial PHA.

For FSS families, the PHA's policies should also address whether the PHA will provide selection preference in its FSS program for portable FSS families.

23.7 RELATED SEMAP INDICATORS

SEMAP Indicator 14 applies to PHAs that have mandatory FSS programs. It consists of two components, the first indicating whether the PHA has enrolled the number of families required in the FSS program; and the second, the extent of the PHA's progress in supporting FSS as measured by the percent of current FSS participants with progress reports who have FSS escrow balances. Both indicators are evaluated on the basis of family information from the FSS progress report entered by the PHA into MTCS, HUD's Multifamily Tenant Characteristics System.

The SEMAP ratings for this indicator are:

- If the PHA has filled 80 percent or more of its mandatory FSS slots, and 30 percent or more of FSS families with progress reports in MTCS have escrow account balances - 10 points;

- If the PHA has filled 60 to 79 percent of its mandatory FSS slots, and 30 percent or more of FSS families with progress reports in MTCS have escrow account balances - 8 points;

- If the PHA has filled 80 percent or more of its mandatory FSS slots, but fewer than 30 percent of FSS families with progress reports in MTCS have escrow account balances - 5 points;

- If 30 percent or more of FSS families with progress reports in MTCS have escrow account balances, but fewer than 60 percent of the PHA's mandatory FSS slots are filled - 5 points;

- If the PHA has filled 60 to 70 percent of its mandatory FSS slots, but fewer than 30 percent of FSS families with FSS progress reports have escrow account balances - 3 points;

- If the PHA has filled fewer than 60 percent of its mandatory FSS slots and less than 30 percent of FSS families with FSS progress reports have escrow account balances - 0 points.

23.8 WELFARE-TO-WORK VOUCHERS

In FY 1999, Congress provided funding for new welfare-to-work vouchers. It is expected that additional welfare-to-work voucher funding will be made available in subsequent years. PHAs may also establish local welfare-to-work voucher programs with available regular housing choice voucher funding. These local programs would not be subject to the welfare-to-work voucher program requirements.

Like FSS, the welfare-to-work voucher program focuses on the coordination of local private and public resources in the support of low-income families seeking assistance on the road to economic self-sufficiency. In contrast to FSS, applicants for housing choice vouchers, rather than current program participants, are eligible to receive welfare-to-work vouchers. Applicants

for welfare to work vouchers may not already be receiving tenant-based assistance. The welfare-to-work voucher program provides vouchers to certain categories of TANF eligible applicants from the PHA waiting list for whom housing assistance is critical to the family's ability to obtain or maintain employment.

Because the welfare-to-work voucher and FSS programs complement one another so well, PHAs may want to encourage welfare-to-work voucher participants to enroll in the FSS program. However, a PHA may not *require* voucher holders to participate in FSS. The welfare-to-work voucher program allows the PHA to establish a welfare-to-work voucher contract of participation similar to the FSS contract of participation, but does not provide the same financial benefits to the participant.

Welfare-to-Work Voucher Selection Criteria

PHAs that received special funding for welfare-to-work vouchers have flexibility in developing selection criteria that will identify the families for whom housing assistance is critical to obtaining or maintaining employment.

To be eligible for welfare-to-work vouchers using special funding, a family must meet eligibility requirements for the housing choice voucher program and be on the PHA's waiting list. In addition, the family must be:

- Eligible to receive assistance or services funded under the TANF program; or
- Currently receiving assistance or services funded under the TANF program; or
- Have received assistance or services funded under the TANF program within the preceding two years.

Beyond these basic requirements, there is an expectation that the housing agency will determine its selection criteria and related procedures based on local need.

A PHA establishing a local welfare-to-work voucher program using available regular housing choice voucher funding may establish selection criteria appropriate to local needs and goals; such a PHA is not obligated to use selection criteria set out for the programs supported by special funding.

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CHAPTER 24
UTILIZATION

24.1 CHAPTER OVERVIEW

A PHA that has not leased 100 percent of the vouchers contracted in its ACC or has not spent 100 percent of the funds contracted under its ACC has not utilized all of the resources provided for its program. The program is "underutilized" and the PHA may be penalized through a lower SEMAP score, or through a recapture of some part of its voucher funding.

The failure of any PHA to use all of the funding contracted for the housing choice voucher program will always mean that a family in need of housing assistance it is not being helped.

When the Congress reviews requests for additional housing assistance funding and finds that funds it previously appropriated sit unused, members of Congress assume there either is no real need for housing assistance or an inability to deliver the funds to families in need. A Congressperson who draws either of these conclusions is likely to vote against additional funding for housing assistance.

HUD has a responsibility to Congress to ensure that the funds authorized for housing assistance are used to assist the maximum number of families.

24.2 MEASURING UTILIZATION

A PHA's utilization is measured at the end of the PHA's fiscal year. The percent of the contracted units that were leased during the fiscal year and the percent of the contracted funds spent during the year are both measured.

The percent of units leased is calculated by dividing the number of "unit months under lease" reported in the PHA's year-end statement by 12 months and comparing the answer to the number of baseline units that had been under the ACC for 12 months or more at the year end.

"UNIT MONTHS UNDER LEASE"

"Unit months under lease" is a measure of each month any one unit is leased. If one household is leased in one unit for 12 months, that unit accounts for 12 unit months. If the PHA has 10 families under lease for 12 months, each of those families would account for 12 unit months. Twelve unit months times 10 units equals 120 unit months. (A unit month is counted only if the unit is under lease on the first day of the month.)

CALCULATING AVERAGE NUMBER OF UNITS UNDER LEASE

The PHA's year-end settlement statement (form HUD-52681, line 6) reports the total number of unit months under lease for all participants in the PHA's program. When that number is divided by 12 months, the result is the average number of units under lease for the year. Two participants, each under lease for six months, would be reported to look like one unit under lease for one year.

6 unit months + 6 unit months = 12 units months ÷ 12 months = one unit under lease for one year

If the PHA has reported 1183 unit months for the year, the average number of units under lease in each month is 1183÷12 or 98.58.

Utilization of contracted funds (annual budget authority) is the percent of funds contracted for one year that have been expended for housing assistance payments or earned as fees by the PHA.

When calculating the utilization of units or contracted funds, units and associated funds awarded for litigation are excluded. Budget authority and associated units for a funding increment effective less than a year at the end of the PHA fiscal year are also excluded.

24.3 UTILIZATION STANDARDS

HUD expects a high performing PHA to maintain an average utilization rate at or above 98 percent.

A PHA achieving a standard level of performance is expected to maintain its utilization at 95 percent or above. Utilization below 95 percent will result in a failing score on SEMAP Indicator 13, Lease-up. An agency with utilization below 95 percent cannot receive new unit allocations and cannot be rated as a high performer under SEMAP.

The administrative fee reserve at a PHA with a lease-up rate below 90 percent is frozen until utilization improves.

If a PHA's utilization rate falls below 90 percent of the units contacted and annual budget authority, the agency risks losing a portion of its funding at the time renewal funding decisions are made. HUD will issue the PHA a warning. The warning will require the PHA to increase leasing to 95 percent of contracted units by the time of its second budget submission after receiving the warning. If the PHA fails to meet the required goal, its unexpended annual budget authority will become subject to reallocation.

24.4 ANALYZING AND ADDRESSING THE CAUSES OF LOW UTILIZATION

Often a low utilization rate is related to the tightness of the local housing market. Too often, however, PHA staff assumes that a tight housing market establishes an insurmountable hurdle and fails to consider a leasing strategy to overcome specific tight market problems. To develop a

good strategy, the PHA must collect and analyze information to determine the specific issues that contribute to low leasing rates.

Turnover

One of the most frequent management deficiencies in the voucher program is a simple failure to maintain statistics and plan program activities using projections based on historical data. Monitoring program turnover and issuing vouchers in anticipation of what will happen instead of in reaction to what has already happened is one of the simplest and most effective techniques for maintaining high utilization.

If ten families leave the program every month, the PHA will need to issue enough vouchers to ensure that ten families will execute new leases each month. If the PHA has data showing that turnover is always twice as high during the warm months, the agency will need to prepare for that turnover. Ideally, the PHA will issue vouchers far enough in advance that the searching families will have time to find units and execute leases by the time turnover occurs.

Turnover Data: Average Turnover by Month												
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Year 1	10	9	10	12	14	20	22	20	26	14	8	6
Year 2	11	10	10	14	16	24	19	14	26	12	9	6
Year 3	13	9	12	11	16	15	23	22	28	15	9	7
Average	11	9	11	12	15	20	21	19	27	14	9	6

A PHA that maintains monthly turnover data for a period of years should give greatest emphasis to the current year's experience but will also be able to see patterns and developing changes. In the chart above, the PHA is not only able to predict the number of leases that will terminate each month, it may also be able to see the beginning of an increase in turnover. The PHA should use this information to decide how many and when vouchers should be issued.

Response Rate from Waiting List Applicants

Often it is difficult for PHA staff to accurately estimate the number of applicants that will respond when invited to attend a certification interview. On every waiting list there are some people who will not show up for the interview. The PHA that fails to acknowledge and prepare for this fact will lose important time in completing the steps required to improve leasing.

Maintaining an up-to-date waiting list is the most obvious and most important effort in addressing the rate of applicant response. A waiting list that has not been recently updated will include people who have moved away, died, or found other solutions to their housing needs. Chapter 4 describes approaches to maintaining an active waiting list.

A PHA needs information on the recent response rate from applicants on its current waiting list. Statistics on the number of families interviewed and determined ineligible, the number of eligible families that fail to show when invited to a briefing, and some indication of family income (even

though unverified) will enable the PHA to determine the number of families to be invited to assure compliance with the 75 percent targeting requirements for admission of extremely low income families. With this data, and information on success rates, which are discussed below, the PHA can make two important determinations: (1) whether or not there are enough applicants on the waiting list to fill current leasing requirements; and (2) how many families should be called from the list for each round of interviews and briefings.

ESTIMATING APPLICANTS NEEDED TO COMPLETE LEASE UP

The following chart illustrates that a PHA that needs to lease 10 units will need to call 25 families from the waiting list if its recent response and success rates are as shown below.

Activity	Number of Applicants	X Response /Success Rates	= Number Responding
Applicants Scheduled	33	60%	20
Interviewed	20	94%	19
Eligible	19	95%	18
Briefed	18	75%	14
Submit RFTA	14	70%	10
Successful Leases			10

Voucher Success Rates

The term "success rate" refers to the percent of families receiving housing choice vouchers that succeed in finding suitable units and become program participants. Collecting and monitoring success rates are essential program administration activities, yet, at present, almost no widely available computer software collects success rate data.

To calculate the success rate, the number of vouchers issued during the period that are still pending is subtracted from the total number of vouchers issued during the period. The answer includes all of the families that have leased units and all families that were issued vouchers during the period whose vouchers expired before they found a unit. Then, the number of families that leased units is divided by the vouchers issued less any of those vouchers pending. Only families new to the program, not program participants moving to new units, are counted.

$$\frac{\text{Units Leased}}{\text{Total vouchers issued less vouchers still pending}} = \text{Success Rate}$$

In the following table, of the ten vouchers that have been issued, three families hold pending vouchers and five families have leased units.

$$\frac{\text{5 units leased}}{\text{10 vouchers issued less 3 vouchers still pending}} = \frac{5}{7} = 71\%$$

VOUCHER SUCCESS DATA AVAILABLE ON AUGUST 16					
Name	Issue Date	Voucher Expiration Date	Lease Date	Successful	Not Successful
1. Sally Samuels	May 1	July 29	June 1	x	
2. Miranda Lopez	May 1	July 29	June 1	x	
3. John Washington	May 1	July 29	-		x
4. Lynn Cowan	May 15	Aug 13	-		x
5. Nina Mick	May 15	Aug 13	July 1	x	
6. Naomi Childs	May 15	Aug 13	Aug 1	x	
7. Matikka Mednick	June 1	Aug 29			
8. Terrance Wood	June 1	Aug 29			
9. George Mason	June 1	Aug 29	Aug 15	x	
10. Isaac Weld	June 1	Aug 29			
Totals				4	2

The calculation may also be made to show the percent of families that are successful within specified search times. With a relatively simple data collection system, a PHA may track the percent of families that are successful after a 60-day search, those that are successful after a 90-day search, and those that are successful with 120 days searching. When the success rate within specified time periods is measured, all vouchers that have resulted in successful leases within the specified time are included even if the lease was also included in the measure for a shorter time frame.

In the following table, leases executed within the first 60 days of the search time are counted in the 60-day measure, the 90-day measure and the 120-day measure.

VOUCHER SUCCESS RATES BY SEARCH TIME						
Name	Issue Date	Lease Date within 60 Days	Lease Date within 90 Days	Lease Date within 120 Days	Successful	Not Successful
1. Pamela Page	May 1	June 1	x	x	x	
2. Roger Sands	May 1	June 1	x	x	x	
3. Jean Jackson	May 1			Aug 5	x	
4. Camilla Friend	May 15			Sept 1	x	
5. Alexis Jones	May 15	July 1	x	x	x	
6. Wendell Willets	May 15		Aug 1	x	x	
7. Carmen Bishop	June 1	Aug 15	x		x	
8. Brenda Mack	June 1					x
Totals	**8**	**4**	**5**	**7**	**7**	**1**

=

In this example, the PHA is experiencing a 50 percent success rate within the first 60 days of issuance (4 leases ÷ 8 vouchers issued = 50). After 90 days, the success rate is up to 62.5 percent (5 leases ÷ 8 vouchers issued = 62.5 percent) and at 120 days, the success rate is at 87.5 percent (7 leases ÷ 8 vouchers issued = 87.5 percent).

Calculating the success rate is important primarily because it informs staff how many families must be issued vouchers before the PHA can expect to lease all units not currently under a HAP contract. If the PHA expects a 50 percent success rate, it will issue twice the number of vouchers for every lease it will need to execute.

Staffing Required for Lease Up

A PHA that attempts to improve utilization with inadequate staff is likely to fail. The staffing level required for a specific lease up goal can be estimated if the PHA has calculated its response and success rates as described above.

ESTIMATING STAFFING LEVELS REQUIRED

Let us assume we have a voucher program of 4,500 units that experiences a 10 percent turnover of units each year. The average monthly leasing goal to replace departing participants would be 37.5.

4,500 units x 10% divided by 12 months = 37.5

We have routinely tracked our waiting list response and voucher success rates and, with that data, we are able to estimate that we will need to call 100 applicants from the waiting list each month based on the following expectations.

Activity	Number of Applicants	X Response /Success Rates	= Number Responding
Applicants Scheduled	100	60%	60
Interviewed	60	94%	56.4
Eligible	56.4	95%	53.6
Briefed	53.6	75%	40.2
Submit RFTA	40.2	70%	37.5
Successful Leases			37.5

With this information, we can estimate the staffing level required to maintain 100 percent utilization.

A. Interviews			
1.	Total appointments required	60	
2.	Hours required for each appointment (40 min/inter + 60 min/verification process + 20 min/rent calculation + 30 min/schedule/reschedule briefing	2.5	
3.	Total hours required for interviews (A1xA2)	150	
4.	Hours available per staff member per month*	113*	
5.	Total interviewing staff members required (A3÷A4)		1.33

*Hours available per staff member based on 75 percent of annual full time equivalent hours (2080 hours) divided by 12 months.

B. Briefing/Issuance			
1.	Total applicants to be briefed	56.4	
2.	Applicants per session	30	
3.	Number of sessions required (B1 – B2)	1.9	
4.	Hours required per session	2.0	
5.	Hours required for all sessions	4.0	
6.	Hours required for phone calls (5 minutes per applicant briefed, B1)	4.7	
7.	Total time required (B5 + B6)	8.7	
8.	Hours available per staff member each month*	113*	
9.	Total briefing staff members required (B7 – B8)		0.08
C. Processing Requests for Tenancy Approval			
1.	Total RFTAs submitted	40.2	
2.	Hours needed to process one RFTA (.3 hr x C1)	0.3	
3.	Hours needed to process all RFTAs (C1 x C2)	13.3	
4.	Hours for follow-up processing, extensions (.25 hr x C1)	10.0	
5.	Hours required to complete processing (C3 + C4)	23.3	
6.	Hours available per staff member each month*	113*	
7.	Total staff required to process RFTAs		0.21
D. Leasing			
1.	Total new HAP contracts to complete	37.5	
2.	Hours required to complete each HAP contracts and file	1.5	
3.	Hours required to complete all HAP contracts and files (D1 x D2)	40.0	
4.	Hours available per staff member each month*	113*	
5.	Total staff required for leasing activities		0.35

Total staff required for leasing activities (excluding inspections staff)		1.97

This analysis illustrates a calculation of staffing levels required to lease units as participants leave the program,. In addition to this on-going leasing activity, a PHA may periodically receive new allocations and must analyze the staffing level required to fully lease up under the terms of its leasing schedule.

Leasing schedules usually allow only 12 months to complete leasing of new allocations. Before applying for new voucher funding, a PHA should analyze staffing needs and determine how many units it can realistically lease in the time allotted.

When a PHA has a significant number of units to lease up, the PHA should consider the cost of increasing staff as an investment required to earn the administrative fees that are not earned until units are under a HAP contract. Most business managers understand that it is necessary to spend

money to make money; an investment in labor is required before any income will be realized. However, in the public sector and in the voucher program in particular, managers often believe they must wait until the income has been earned before there will be money to pay the staff. This approach may be less cost effective than hiring staff in advance in an effort to get units leased more quickly.

Over-issuance

Data on success rates are used to determine how many vouchers a PHA must issue to get the number of leases needed for full lease up.

If the PHA's success rate data are accurate and up-to-date, the data can be used as the basis of a decision to issue more vouchers than the PHA could actually afford to subsidize. The practice of issuing more vouchers than a PHA can afford is called over-issuing.

It is possible, of course, that the projection made using success rate data can be different from what actually happens. More families than anticipated may find units and the PHA may become over-leased; that is to say, the PHA may execute more HAP contracts than the number of units it can afford to subsidize. However, bear in mind that program utilization is measured as an annual average. This means that a PHA may be over-leased some months and under-leased other months.

When a PHA becomes over-leased, it stops issuing vouchers and waits until enough participants leave the program to reestablish financial stability in the program budget.

High performing PHAs that routinely maintain a utilization rate at 98 percent or above may find themselves over-leased off and on throughout any year. If the PHA has been carefully monitoring its housing choice voucher program, it will know when it is about to exceed full leasing and will stop issuing new vouchers even before leasing climbs over 100 percent. As other families leave the program, the leasing rate will fall back to an affordable level. With careful resource management, the PHA's yearly expenditures will not exceed its available budget authority.

Chapter 20 describes the circumstances in which the PHA is permitted to use funds in its ACC program reserve account to cover expenses exceeding its annual budget authority or units beyond those contracted for the PHA.

24.5 TECHNIQUES FOR IMPROVING UTILIZATION

Search Assistance to Voucher Holders

Occasionally, in very soft housing markets, a PHA can issue vouchers and expect most families to find suitable units without additional assistance. In some instances, PHAs have achieved full lease up using over-issuance as the only tool for improving utilization. However, the process of pulling families from the waiting list, certifying their eligibility, conducting a briefing, and

issuing a voucher is very expensive. In most instances, helping families that have received vouchers improve their success in searching is a more cost effective approach to increasing success rates than merely over-issuing.

Many PHAs provide information to families about available apartments by maintaining lists of vacant units. In tight housing markets, providing a list of landlords interested in the voucher program may be more effective, since in hot real estate markets, vacant units often are rented before information about them can be dispersed.

Direct staff contact to follow up on searchers' progress is one of the most cost-effective ways to increase success rates. Many PHAs argue they do not have staff time available for monthly telephone calls to searchers; perhaps, they have not stopped to compare the cost of providing this basic search assistance with certifying and briefing additional families.

Other approaches to assisting searches, however, may take funds beyond what a PHA can support with its administrative fees. In some locations, PHAs have established partnerships with community and other non-profit agencies to increase services available to searchers. In some instances, local partners have provided direct services to families; in others, the PHA has received funds available through Temporary Assistance to Needy Families (TANF), the Department of Labor (DOL) or other governmental or private sources.

READY TO RENT PROGRAM

Using state grant funds, a PHA has established a program for voucher holders which provides training in the responsibilities of tenancy in addition to credit counseling and repair activities. Graduates are "guaranteed" to potential landlords against potential damage or rent loss for six months. Funds in the state grant are available to pay landlords for losses—if any are experienced.

With these additional funds, PHAs have provided counseling to families in resolving family issues, improving housing search techniques, and identifying neighborhoods that may best serve the family's needs. Counseling funds have also been used to help families understand their credit problems and improve their credit standing to make them more attractive to landlords. Some have helped with strategies to explain negative credit reports to prospective landlords and identify what happened and what the family has done or is doing to correct the problem.

PHAs and their partners have also assisted families in making appointments with landlords and have provided transportation to the families or even escorted them to inspect units.

One of the most effective uses of local grants has been the establishment of funds to help families with moving costs. Such funds may be used to help families with security and utility deposits or with actual moving costs.

Extended Search Time

PHAs must give all voucher holders a minimum of 60 days search time. There is, however, no limit on how much longer a PHA may allow a family to search for housing. There are differing opinions on what length of search time is effective in promoting family success in leasing.

Some PHAs limit search time to 60 days, permitting extensions only for extenuating circumstances documented by the family. Especially in soft housing markets, some PHAs argue that families will work harder if they are given a short and specific deadline.

Other PHAs provide an initial search time of 60 days but permit automatic extensions to any family that asks prior to the voucher expiration date. These PHAs hold that requiring the family to return to request the extension maintains some pressure on the family to work at searching.

Agencies considering a request for HUD approval of a success rate payment standard based on the 50th percentile fair market rent (FMR) to improve success rates are required to have permitted automatic extensions to at least 90 days to qualify for the success rate payment standard . (See Chapter 7.)

MONITORING SUCCESS WITH EXTENDED SEARCH TIME

PHA's using longer search times may want to maintain data on searches to know how useful the extended search times are in improving success rates and to have knowledge of the potential financial liability from pending vouchers.

An aged vouchers pending report will provide a picture of the remaining potential liability.

Data on the average search times of successful families will increase understanding of the usefulness of longer search periods.

Many PHAs give 120 days up front and provide extensions to large families and those needing accommodations for a person with disabilities or an elderly person. Some PHAs place no limit on the search time. Whatever the PHA's policy, it is important to monitor how long it takes families to lease.

Payment Standards

Generally, when the housing market becomes tight, rents go up. Often, this happens quickly and it may require an alert staff to be ready to make changes before leasing levels fall.

Adequacy of the PHA's payment standard and the FMR on which the payment standard is based is an obvious element influencing families' success in locating suitable units. A PHA is required to analyze the adequacy of its payment standard once each year and make necessary changes. If

the success rate falls between the annual review of the payment standard, the PHA may want to re-check the adequacy of its payment standards against evidence of current market rents.

Good approaches to reviewing the adequacy of the payment standard are:

- Calculate the percent of program participants paying more than 30 percent and more than 40 percent of income for rent. To clearly understand the relationship of the payment standard to local rents it will be important to review participant rents by geographical area.

- Compare the payment standard for each bedroom size to the average gross rents paid by current program participants. If the market has just started to go up, it may be informative to look at rents for units leased within the past year separately.

- Compare the payment standard for each bedroom size and building type to the average rent reasonableness data for each neighborhood. Review the range of rents reported by the rent reasonableness database to determine if the average rent is in fact representative.

- Gather data from local real estate and/or news organizations, including internet-based information sources on recent changes in the rental market.

- Maintain and review data on the number of requests for tenancy approval that have been denied because the family's initial rent burden would have exceeded 40 percent of monthly adjusted income.

Review the Range of Rent Reasonableness Data

In the example below the payment standard is four dollars below the average two bedroom rent in the rent reasonableness data. A review of the range of rent reasonableness data, however, demonstrates that one extremely low figure appears to have distorted the data and a family may have difficulty funding a unit for less than $700.

Payment Standard	Average Rent 2-bedroom Garden Style	Range of Rents 2-bedroom Garden Style
$750	$754	810
		780
		762
		760
		660

If the PHA's payment standard is lower than 110 percent of the FMR and available data suggests that an increase is warranted, an increase within the PHA's range of discretion (90-110 percent of the FMR) may be appropriate. The PHA's board of commissioners or other governing body must formally adopt a change in the payment standard.

If the payment standard is already at 110 percent of the FMR, the PHA may request an exception payment standard from HUD or may request authorization to use a payment standard based on the 50th percentile FMR. (See Chapter 7.)

Limitation on Initial Rent Burden

When payment standards are too low, families may have limited success in locating units as a result of the 40 percent of adjusted income limitation on the initial rent burden. This rule (described in Chapter 7) prohibits a family from paying more than 40 percent of its monthly adjusted income for rent when it first signs a lease for a unit under the voucher program.

It may be useful for a PHA to develop a system to log the number of requests for tenancy approval submitted for units which are subsequently rejected because of the initial rent burden limitation. An increase in such rejections would be a clear and early sign of changes to market rents in the community, and would alert the PHA to review the adequacy of its payment standards.

Landlord Outreach

Frequently, the enthusiasm of property owners for the housing choice voucher program fluctuates with the strength of the rental market. Owners who advertise their interest in families with housing assistance when the market is soft may become much more reluctant when there are plenty of renters looking for vacancies at any price.

The PHA that expects to maintain strong utilization rates through periods of economic growth will need to treat landlords as important partners in the program.

Probably the most important effort in maintaining the interest of landlords is the PHA's success in serving landlords with efficient, market-oriented business practices.

The cardinal rule to successful PHA-landlord relationships is timely HAP payments. Like all rent, the HAP payment is due and payable on the first of each month. Property owners need rental income to cover mortgage payments and the costs of maintaining the property. One late payment will catch the attention and remain in the memory of even the largest landlord. Consistent timeliness from one year to the next will form the basis of the landlord's willingness to work with the PHA to find resolutions when differences arise.

The second most important area of PHA performance and perhaps the area where PHAs have the most difficulty succeeding is inspections. In a tight housing market, high performing owners are able to turn an apartment over in 24 hours when an HQS inspection is not required. When PHA staff fail to acknowledge the unassisted renter as its

OWNER-ORIENTED BUSINESS PRACTICES

- *On-time HAP checks*
- *Fast turnaround on all inspection activities*
- *User-friendly telephone systems*
- *Fast response to owner complaints*

competition and respond appropriately, owners may not find patience for the PHA inspection process.

HUD rules require PHAs with programs smaller than 1,250 vouchers to complete an initial inspection within 15 days of receiving the request for tenancy approval and encourages larger agencies to strive for similar performance. While PHA staff may find the 15 day standard a challenging one, owners with the choice of another tenant ready to move in immediately will see 15 days of lost rental income.

In addition to speed, consistency is also important. Nothing can be more frustrating to an owner than finding that inspectors from the same office make different calls on identical conditions. Beyond that, consistency in standards may result in educating the owner and helping him or her know what conditions must be repaired before the next initial or annual inspection. The owner's ability, with an understanding of HQS standards, to prepare a unit to pass the HQS inspection at the inspector's first visit will serve the needs of both the owner and the PHA.

A landlord's experience with annual inspections will also contribute to his interest or disinterest in subsequent voucher program leases. Consistency and responsiveness are essential. Any additional effort to serve the needs of the landlord is worth considering.

Special efforts to decrease the amount of the landlord's time invested in voucher program procedures may make the program more appealing to landlords. Some housing agencies arrange for the owner and tenant to sign the lease and the HAP contract in the unit at the time of the initial inspection if the unit passes the initial inspection. Some schedule all of the annual inspections in a building at one time. A strongly recommended practice is to eliminate local requirements for owner signatures at the time of the annual inspection or the annual reexamination. There are no HUD rules requiring landlord signatures in the annual renewal cycle.

Landlords also appreciate PHA assistance in dealing with problem tenants. Without ever appearing to "take sides", the PHA can often help by meeting with the landlord and tenant together and impartially reviewing the obligations of each and the consequences of violating those obligations.

Improving the landlord's ability to contact an inspector or get the answer to a question can have a significant impact on the landlord's enthusiasm for the program. In a busy voucher program, an inspector's telephone answering machine may fill up with messages in the time it takes to retrieve the accumulated messages. In many situations, better landlord service can be provided by either an ombudsperson or supervisor responding to landlord calls if that person has the knowledge and the authority to solve the landlord's problem. In the absence of an ombudsperson, a clerk who can make changes to an inspector's schedule, find the answer to a technical question or take a detailed message may be more helpful than a machine. In every case, however, making staff accountable for responsiveness to landlords is essential.

General, on-going communication with landlords is also helpful to maintaining their enthusiasm for the program and can be accomplished with a newsletter or flyer stuffed in the envelope with the HAP check. The newsletter can educate landlords about program requirements, inform landlords about changes in the program and provide helpful hints including property maintenance information not specifically related to the program.

The PHA option to screen housing choice voucher program applicants may be used to better serve landlords. There are, however, potential pitfalls in this practice and the PHA must be cautious in implementing screening procedures being particularly careful not to promise more service than it can truly deliver. A PHA that decides to conduct screening beyond drugs and violent criminal activity will be wisest to:

- Specify the screening activities the PHA will perform and those the landlord will be expected to perform; and
- Provide only information on the sources contacted and the specific information received, not the PHA's judgment as to the meaning or value of responses received.

When the PHA has done a good job of keeping current landlords happy, it will have greater success at recruiting additional landlords.

One PHA has established an advisory board of landlords with experience in the PHA's housing choice voucher program. Landlords on the advisory board participate in briefings for potential landlords, assist the PHA in recruiting new landlords and may assist in resolving program or processing issues with other program landlords.

Landlord briefings (information meetings about the housing choice voucher program) are a tried and true approach to getting the attention of potential landlords. Participation by PHA representatives as speakers at meetings of real estate groups is another beneficial activity. Many PHAs have become members of local property owners organizations.

LANDLORD OUTREACH

- Landlord briefings
- Landlord advisory group
- Newsletters
- Meetings with real estate groups
- Use of PHA web site to provide explanations of program information
- City-wide landlord advisory groups
- Incentives for landlord participation
  - "Holding fee" for time required to bring unit to HQS compliance
  - Gift certificate for new landlord participation
- Tenancy education program
- Credit counseling and repair program

One message, delivered at briefings and in newsletters that has been successful in attracting landlords' attention is a suggestion that the landlord can eliminate the cost of advertising vacant units. For good units in a strong market, if the landlord informs the PHA of a vacancy, the PHA can assure the landlord of its ability to refer tenants.

A number of PHAs have developed special incentives to encourage the participation of new landlords. Some have used either administrative fee reserves or grant money to cover "holding fees" offered to landlords in place of rent until an initial inspection and lease up activities can be completed. Other PHAs have similar funds for grants to landlords after an initial inspection for expenditures required to comply with HQS when HQS exceeds local code.

PHAs have also used gift certificates to local restaurants as an incentive for new landlord participation and for current landlords who bring a new landlord to the program. Staff at one PHA was surprised that this approach worked so well and was relatively inexpensive. Staff reported, "If you feed them, they will come."

Housing Supply

In a tight housing market, prices rise and the number of affordable units within the reach of the payment standard declines. In addition to increasing the payment standards, PHAs can work to increase the supply of housing available to voucher holders using several approaches.

Contracting with owners under the project based voucher program is one good way to assure there are units available for voucher families. A PHA may contract up to 20 percent of the total units in its allocation for project based assistance. The contract commits the units to the program—and the associated housing assistance payments to the landlord—for a period of ten years.

PHA staff may also work with local government to develop expanded housing supply using resources through the Community Development Block Grant (CDBG) program, the HOME program, and through use of local tax credits to encourage housing development.

24.6 SEMAP INDICATOR 13, LEASE-UP

SEMAP measures utilization by dividing the average number of units leased through the year by the number of units under contract.

The average number of units leased is derived from information in the Year-End Settlement Statement (YES, form HUD-52681). Line 6 of the YES reports the total number of unit months under lease during the year. To determine the average number of units leased, divide the total number of unit months leased by 12.

$$\frac{\text{Average number of units leased}}{\text{Number of units under ACC}} = \text{Percent of contract units leased}$$

The number of units under contract is the baseline number of units, plus any new allocations since December 31, 1999, less units allocated for litigation or on schedule relocation. The number of units under contract also excludes units obligated during the last PHA fiscal year.

Indicator 13 is one of the three indicators HUD has identified as particularly important by assigning them 20 points. To receive all 20 points for Indicator 13, a PHA must have a utilization rate of 98 percent or better.

To receive 15 points, a PHA must lease 95 percent of its units. A PHA with a utilization rate below 95 percent will receive no points for Indicator 13. A PHA with a utilization rate below 95 percent will not be identified as a high performer regardless of its overall score and will not be eligible to receive new unit allocations.