DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OVERVIEW OF NEW AND CROSS-CUTTING INITIATIVES
TARGETED RENTAL ASSISTANCE PROGRAM REFORMS

HUD is proposing changes to its three largest rental assistance programs: the Housing Choice Voucher, Public Housing, and the Multifamily Project-Based Rental Assistance Program. These revisions will include four sets of changes to the U.S. Housing Act and authority for a rent policy demonstration, and are consistent with the Administration's proposals to make HUD's rental assistance programs more efficient. The provisions will increase access to rental assistance for working-poor families, while reducing administrative burdens on Public Housing Authorities (PHAs), private owners, and elderly and disabled households. These changes will also result in an overall reduction in the cost of the programs.

Description of Proposed Provisions

Broadening a Statutory Definition for "Extremely Low-Income"

Despite the prevalent use of the term "extremely low income" (ELI) in regulations and by HUD programs, it is not statutorily defined. HUD proposes a revision to section 3 of the U.S. Housing Act adding a modified ELI definition. As revised, ELI is defined as the higher of either the poverty guidelines provided by the Department of Health and Human Services or 30 percent of the median family income for the area adjusted for the applicable family size. The Housing Act requires PHAs and owners to target ELI households as a significant share of new admissions annually. In HUD's largest and most targeted program, the Housing Choice Voucher Program, 75 percent of the new families served each year by an agency must be "extremely low-income." The change would save an estimated $118 million in the first year, and $846 million over 5 years in the tenant-based rental assistance account, assuming future funding is reduced to reflect lower housing voucher costs. Estimated first-year savings are reflected in the requested funding level for the program. This policy change will result in an increase of 8 percent in households that will meet the ELI targeting standard. The effect of the proposed change is to ensure that working poor families can be targeted for receipt of housing voucher assistance.

Revising Deductions for Elderly or Disabled Families

HUD proposes revisions that will increase the standard annual deduction for elderly or disabled families to $675 from $400, as well as increasing the threshold for deducting medical, attendant care, and auxiliary aid expenses to expenses exceeding 10 percent of income. Current law sets this threshold at 3 percent of income, resulting in a $417 million subsidy provided through the HUD budget for out-of-pocket medical expenses. These changes will reduce the extent to which HUD pays indirectly for tenants' medical expenses and will also reduce the average monthly rent contribution paid by elderly and disabled households by $7. Taken together, HUD estimates these changes will result in first-year net savings of $16.5 million for the three major rental assistance programs. The first-year Budget impacts of these changes are reflected in the requested funding levels for affected programs. (An estimated $33 million will be saved in the Project-Based Rental Assistance (PBRA) account, but costs will increase by about half that amount in the Tenant-Based Rental Assistance (TBRA) account. The financial impact on public housing is neutral.) Savings will be larger in future years, assuming funding is reduced accordingly.

Revision of Recertification of Income to Every 3 Years for Fixed Income Families

In an effort to reduce unnecessary administrative burdens for PHAs and private owners administering rental assistance, HUD proposes to revise the income review process and allow PHAs to recertify income every 3 years (rather than annually) for families on “fixed” incomes. Fixed income is defined as at least 90 percent of income from Social Security, Supplemental Security Income, or similar sources. This change will allow PHAs and private owners to allocate limited staff time and resources to administering other areas of the programs.

Availability of Exception Payment Standards for Individuals with Disabilities

This provision will allow PHAs to increase the amount available for rent payment up to 120 percent of the fair market rent (FMR) without HUD approval, as a reasonable accommodation for a person with a disability. PHAs may also request a HUD-approved increase in the maximum rent payment above 120 percent of FMR if necessary to ensure that a disabled individual or family has access to appropriate housing opportunities. This provision will not result in any additional cost.

Revisions to the Establishment of Fair Market Rent

HUD proposes a set of changes that will enable HUD to use more recent data to make FMRs more accurate and reduce administrative costs, ensure local flexibility, and protect tenants. These provisions eliminate the requirement that proposed FMRs be published for comment, but require that HUD propose substantial methodological changes in advance and allow interested parties to request changes after final FMRs are published. Specific FMRs must be published at least annually, but publication may be done via HUD’s website with notice of the availability of the data published in the Federal Register. Housing agencies are permitted to request exception payment standards subject to HUD-established criteria. A PHA will not be required to reduce any payment standard based on the FMR determination if a family continues to occupy the unit.

Rent Policy Demonstrations

This proposed provision enables HUD to conduct research on changes in rent policy that would meet the goals of encouraging families to obtain employment, increase their incomes, and achieve economic self-sufficiency while reducing administrative burdens and maintaining housing stability. Such demonstrations may involve only a limited number of families assisted under the U.S. Housing Act. Policies considered could include income disregards, family self-sufficiency accounts, and policies under which families pay amounts different from 30 percent of their adjusted income for rent.