

FLEXIBLE VOUCHER PROGRAM QUESTIONS

INTRODUCTION

Q-1: Why is the Flexible Voucher Program good for public housing agencies (PHAs)?

A. FVP is good for PHAs because it encourages and rewards high performance, and provides flexibility that allows PHAs to serve additional families on waiting lists, thereby, reducing the number of households in the locality that require housing assistance. FVP also allows PHAs to manage the program based on housing needs as defined by the community. FVP eliminates much of the Washington-generated red tape that costs PHAs time and resources and does not result in better housing. Administrative burdens are greatly reduced in the areas of inspections, annual tenant re-certifications and rent calculations.

Q-2: Why are the Flexible Voucher Program reforms good for the program?

A. FVP is good for the program because it establishes the parameters for the operation of a well managed and fiscally sound program, i.e., encouraging high performance from our clients, ensuring fiscal responsibility, maximizing use of the dollars, and meeting the local needs of the community. In turn FVP will improve the credibility of the program to ensure its long-term sustainability.

A. FLEXIBLE VOUCHER PROGRAM DESCRIPTION AND GOALS

Q-1. What is the Flexible Voucher Program?

A. The Flexible Voucher Program is a Fiscal Year 2005 budget initiative to improve the Housing Choice Voucher Program. Some of the significant program improvements include:

- Allow Public Housing Agencies (PHAs) to set and adjust subsidies based on their own market rents rather than depend on HUD-determined rents;
- Allow PHAs to simplify and design tenant rent policies that will reduce errors, save money, create incentives to work, and allow them to serve more families;
- Allow PHAs to use state and local housing quality standards rather than one-size-fits-all HUD standards;
- Allow PHAs to determine the appropriate mix of low-income families to serve in their community;
- Allow PHAs to serve as many families as they can within their funding amount, rather than being held to a specific number of vouchers;
- Allow PHAs to focus on results, reward them for performance and hold them accountable for poor performance;

- Allow PHAs to decide whether to keep or eliminate complicated, boutique voucher programs that are now dictated by Washington;
- Allow PHAs to spend more time helping tenants by eliminating complex forms which are currently necessary to comply with program rules, saving time and money;
- Allow PHAs to determine whether to modify or eliminate the requirement for landlords to keep their units vacant and lose rental income for weeks while waiting for an inspection, even though the tenant has elected to live there;
- Allow PHAs to more easily understand how much funds they will get from the Congress and allow HUD and Congress to more accurately budget for and appropriate funds for the voucher program;
- Allow PHAs to rely on a fixed number of dollars to keep their voucher program viable and effective for years to come.

Q-2. What are the goals of the Flexible Voucher Program?

A. The goals of the Flexible Voucher Program are: (1) Allow PHAs administrative flexibility to better address local needs and priorities and to create incentives for families to move to work and self-sufficiency; (2) Change the funding structure of the voucher program to help contain costs and to free PHAs to serve as many families as they can within their funding amount, rather than being held to a specific number of vouchers; (3) Reform the administrative fee structure and HUD's management assessment system to focus on results, not process, by rewarding PHAs for high performance and holding them accountable for poor performance.

B. FUNDING; CONTINUING TO ASSIST CURRENT FAMILIES

Q-1. How many currently assisted poor families will lose their rental assistance under the FVP?

A. We do not believe any families will lose their vouchers because of lack of funding. HUD's budget proposes reforms in the administration of this program to give more flexibility to PHAs on how to use these funds. These reforms will also help more needy families make the transition from public assistance to self-reliance and work. As more families transition out of the program, more families on the waiting list will be served.

Q-2. Will the plan to shift to a dollar-based versus unit-based voucher program defund the program over time since it will be easier for Congress to hold funding increases below actual housing cost increases?

A. HUD is returning the voucher program to the program's original financial design. Specifically, vouchers once again will have dollar-based funding, and PHAs will have the flexibility to adjust subsidy levels to maximize the number of assisted families, based on changes in the housing market. Several years ago, the voucher program operated under a

similar dollar-based format that allowed PHAs to engage in maximized leasing beyond what their unit limit was.

Q-3. HUD's current voucher program currently serves 1.9 million low-income people. What is your projection for the Flexible Voucher Program?

A. The Flexible Voucher Program is expected to be able to serve at least the current number of families assisted, if not more. HUD expects that the program reforms and the administrative flexibility provided to PHAs will result in an increase in the number of families that can be assisted under the Flexible Voucher Program.

Q-4. How much money does HUD anticipate saving in the first year it implements this program?

A. Overall savings are estimated to be more than \$1 billion. The savings would be generated from program reforms that will make it possible for the average cost of a housing voucher to decline slightly in 2005. The Flexible Voucher Program would provide a specific, annual funding amount that would not grow within each fiscal year as voucher costs do today. No longer would the funding for the program be required to chase the actual, unpredictable cost for every single voucher in the country, as reported by the PHAs.

The national average cost per voucher has increased at a rate of more than double the average increase in the private rental market in each of the last two years, while at the same time rental markets have softened and vacancy rates are at their highest level since 1956. One of the root causes of this anomaly is the current unit-based funding structure provides PHAs no incentive to control program costs and ensure that voucher rents are no higher than actual market rents.

Q-5. If HUD switches to a dollar based as opposed to a unit based funding system, won't the program be more susceptible to budget cuts? What if the PHA simply decided to serve fewer families by spending more on fewer families?

A. Rather than making the program more susceptible to budget cuts, HUD believes that this reform will keep the program sustainable and even less prone to cuts. Because funding for voucher assistance is subject to annual appropriation, the key to sustaining the program is effective performance, which the reforms of the Flexible Voucher Program will encourage and promote.

C. PHA ADMINISTRATION; ADMINISTRATIVE FEES

Q-1. The Flexible Voucher Program mentions rewarding high-performing PHAs. Does this mean HUD will be withholding a percentage of the budget amount? If so, what is that percentage?

A. One of the key reforms in the Flexible Voucher Program is the restructuring of the fee system used by HUD to pay PHAs for administering the voucher program. The Flexible Voucher Program changes the current administrative fee structure to increase accountability by rewarding PHAs for outstanding performance, rather than continue to pay PHAs the same amount regardless of whether the PHA is a marginal or exceptional performer. All PHAs will receive administrative fees equal to 7% of their total subsidy amount for the costs of operating the basic program. PHAs will also be able to earn additional performance-based fees for effective utilization of its funding and serving roughly the same if not more families. Incentive bonuses will also be awarded for homeownership and self-sufficiency efforts, especially as they succeed in transitioning families off of assistance. The performance based fees and incentive bonus funding level available to qualified PHAs represents 2% of the total administrative fee amount included in the FY 2005 proposal. How the additional fees get distributed depends on how many PHAs perform well.

D. FAMILY INCOME ELIGIBILITY AND TENANT RENTS

Q-1. The Flexible Voucher Program grants PHAs wide latitude in how they use the voucher dollars. This includes elimination of the targeting requirements that 75 percent of new vouchers go to extremely low-income households (30 percent of area median income or less); under the new proposal, income eligibility for all vouchers would be raised to 80 percent of area median income.

A. Under the Flexible Voucher Program, the PHA determines the appropriate mix of low-income families to serve in their community, and will have the ability to design admissions policies that take into consideration the income mix and needs of the local community. For instance, some communities may have a need to serve more working families who are low-income or very low-income and in need of temporary rental assistance. Today, HUD requires that 3 out of every 4 vouchers must be issued to families earning little or no income (extremely low-income with incomes at 30% of area median income or less), regardless of low-income housing needs in the community.

Like the original tenant-based certificate program, eligibility for the Flexible Voucher Program is extended to all low-income families (80 percent of area median or less) without a requirement that 75 percent of new admissions be families with extremely low-incomes. This change will permit local flexibility in determining local needs, and permit expanded PHA waiting list management and admission preference decisions. HUD does not anticipate that this change will result in a wholesale departure from assisting a broad range of low-income families in the voucher program, including families with extremely low incomes. However, transferring the decisions on family admission preferences from the federal government to localities will permit PHAs more flexibility to meet local needs such as families transitioning from welfare to work, working families, families experiencing housing emergencies, first time homebuyers, and families on the PHA waiting for prolonged periods of time.

Q-2. Since PHAs would also be allowed to develop their own rent systems for flexible vouchers, what protections are there to prevent PHAs from raising tenant rents and eliminating the “Brooke Rule” that limits tenants’ portion of the rent to 30 percent of tenant income?

A. It is true that PHAs will have flexibility to determine all tenant rent policies for the Flexible Voucher Program. PHAs may opt to continue to establish tenant rents similar to the current voucher approach, establish flat rents, establish rents based on income ranges, establish rents based on a percentage of income higher than 30 percent, or base rents on another method.

The current formula used to calculate tenant rent is lengthy and highly complicated, resulting in frequent family rent determination errors. In fact, many PHAs and their staff agree that the current federal approach to rent policy discourages residents from seeking employment and increasing their incomes. PHAs also see the current federal rent policy as administratively burdensome, intrusive in residents’ lives and prone to error.

It is noted that the “Brooke Rule” does not now limit the housing choice voucher family’s ability to pay more than 30 percent of tenant income toward rent. Although PHAs use 30 percent of adjusted income when determining the maximum subsidy for a family, the amount actually paid toward rent is determined by the family (except a family may not pay more than 40 percent of adjusted income toward rent when it initially leases a unit). Research data collected from the housing voucher demonstration in the 1980’s indicated that on average, voucher families paid 35 percent of income for rent. Moreover, many families under the Moving-to Work Demonstration voucher programs do indeed pay more than 30 percent of their income, with no evidence of severe hardship or increased evictions.

Q-3. Will the Flexible Voucher Program allow the PHAs to change the demographic distribution of the people they are currently serving?

A. Yes. The high number of set-asides and special purpose vouchers—more than a dozen—in the current program create an unnecessary administrative burden on program delivery. It is more effective and responsive to give PHAs the ability to determine the appropriate levels of assistance for their populations that vary from community to community, instead of imposing a one-size-fits-all model on every community in the country. For instance, some communities may have a need to assist higher numbers of elderly and disabled.

Q-4. Who is eligible to receive flexible voucher assistance?

A. To be eligible to receive rental and homeownership assistance under the Flexible Voucher Program, a family must have a gross income that does not exceed 80 percent of

the median income for the area. In addition, a family may not be admitted to the program if they already have ownership interest in any residential property or if they have assets that exceed a maximum amount established by HUD.

Q-5. Are there any income recertification requirements?

A. Yes, but they are less frequent. Under the Flexible Voucher Program, the PHA will review a non-elderly family's income at least every other year as opposed to every single year. The PHA will review an elderly family's income at least once every three years.

E. FAIR MARKET RENTS (FMRS); AMOUNT OF SUBSIDY

Q-1. Is HUD doing away with its "Fair Market Rents" determination since PHAs will now be able to make local rent determinations?

A. While HUD may continue to publish annual Fair Market Rents, PHAs will be able to **more quickly and more accurately** track local market rents to determine the maximum subsidy levels that are reasonable and appropriate for specific neighborhoods in their market area. HUD "Fair Market Rents" often lag behind actual market rents and are only adjusted once a year.

Q-2. How are the housing subsidies determined under the Flexible Voucher Program?

A. The PHA will establish both maximum market rent levels and a minimum monthly rental amount to be paid by the family. The PHA will have the ability to set and quickly adjust the subsidy levels based on their own market conditions, rather than being dependent on rents previously-determined by HUD.

Q-3. Will rents still have to be considered reasonable under the Flexible Voucher Program?

A. Yes, the rent for units assisted under the Flexible Voucher Program must still be reasonable and appropriate in comparison to units of a modest nature in the local private, unassisted rental market. The more PHAs keep their voucher rents reasonable, the more families they will be able to serve.

F. HOUSING QUALITY; UNIT INSPECTIONS

Q-1. How will the government ensure housing quality under the Flexible Voucher Program?

A. Rather than impose a one-size-fits-all inspection standard, the Flexible Voucher Program allows the public housing agency to use either state and local codes to determine if the unit is suitable or use HUD's housing quality standards. Each unit must be inspected when it is first leased (within 60 days), and the PHA must re-inspect at least 25 percent of the units assisted under its program each year.

Q-2. Won't the elimination of the annual re-inspection requirement for all units result in lesser quality housing and other health hazards?

A. Although there is no longer an annual re-inspection requirement, the unit must meet the quality standards while the unit is under contract. Upon request by the family, the PHA will still conduct complaint inspections as is done currently in the voucher program. By reducing the frequency of subsequent inspections, PHAs will be able to focus their efforts on the more marginal units as opposed to well-managed, well-maintained properties. HUD will also conduct annual random quality control reviews to ensure that PHAs are abiding by their official housing quality standards.

Q-3. Is there a time frame under which the public housing agency must inspect a potential unit upon request by a family?

A. Under the Flexible Voucher Program, the PHA will now be able to enter into a housing assistance payments (HAP) contract conditionally with an owner before inspecting the unit. This will ensure that in tight rental markets program families have a fair opportunity to lease units, instead of losing potential units because the landlord is unable or unwilling to hold it vacant until such time that the PHA is able to conduct the unit inspection. The new program will provide that the PHA must inspect the unit within 60 days of the initial HAP payment. If the unit does not pass the inspection, then the owner will be required to make the necessary repairs. If the owner fails to make the necessary repairs, the PHA will abate the HAP payment. The unit must pass the inspection to stay in the program.

G. PHA PERFORMANCE; SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP)

Q-1. How will the PHA performance assessment process change?

A. The current management assessment system (SEMAP) will be streamlined to assess the PHA's basic results under the Flexible Voucher Program. Performance standards will include effective budget utilization, financial management, and effectiveness of voucher assistance in helping families.

H. PROJECT-BASED VOUCHER PROGRAM; HOMEOWNERSHIP VOUCHERS; FAMILY SELF-SUFFICIENCY PROGRAM

Q-1. What happens to the project-based voucher program under the Flexible Voucher Program?

A. Any units covered under a project-based voucher or project-based certificate contract will continue to receive assistance under the terms and conditions of that contract until it expires. Project-based assistance remains an eligible activity under the Flexible Voucher Program. PHAs may choose to project-base up to 20 percent of the funding under the Flexible Voucher Program

Q-2. Will the homeownership option continue under the Flexible Voucher Program?

A. Homeownership assistance for first-time homebuyers is an eligible activity under the Flexible Voucher Program. The PHA may provide monthly assistance payments to the homebuyer, or may choose instead to provide assistance for the family in the form of a one-time grant of up to \$10,000 to be used as down payment assistance.

In addition, any family receiving homeownership voucher assistance at the time of the transition to the Flexible Voucher Program will continue to receive homeownership assistance under their current terms and conditions. Lenders can continue to underwrite loans under the current homeownership program with the full assurance that the rules under which they based those loans will not be impacted by implementation of the Flexible Voucher Program.

Q-3. Will PHAs be financially rewarded for transitioning tenants out of the voucher program?

A. Yes, PHAs will be able to earn incentive bonuses for initiating homeownership and self-sufficiency activities. PHAs are encouraged to use voucher funding to support the maximum number of families making the transition from public assistance to self-reliance and work, and in so doing will be able to serve more low-income families.

Q-4. Is it true that HUD's FY 2005 budget would eliminate the Family Self-Sufficiency (FSS) Program? Why are there are no funds requested for FSS Coordinator salaries?

A. No, this is not true. **Family self-sufficiency activities will remain a core component of the Flexible Voucher Program and PHAs participating in self-sufficiency activities will be rewarded through incentive bonuses.** The administrative fee bonus funding may be used for activities such as FSS staff salaries to ensure coordination with supportive service providers, job training and vocational and educational activities. Additionally, PHAs may design local self-sufficiency strategies.

The current federal FSS Program requirements will not be mandatory. PHAs may opt to continue administering the FSS program as currently designed, or make one or more changes to the program design. Once again, there is local flexibility to design and implement a self-sufficiency program that is best suited for the PHA jurisdiction.

I. FUNDING SET-ASIDES

Q-1. Why doesn't HUD's FY 2005 budget contain funding set-asides for the disabled, family unification, witness protection and other special purposes?

A. Washington-mandated set-asides of funding for specific purposes and for specific numbers of people are inappropriate for the Flexible Voucher Program, which provides maximum local flexibility to meet locally determined needs. In addition, it is noted that some set-aside funding has gone unused for prolonged periods of time. For example, funds for 200 witness protection vouchers were appropriated approximately 10 years ago and less than 100 of these vouchers are in use.

Q-2. Why has HUD cut the funding for tenant protection vouchers such as relocation/replacement housing vouchers for demolished public housing and enhanced vouchers?

A. The reduction in funding for tenant protection vouchers reflects the reduced need based on the termination of HOPE VI funding during FY 2005. Sufficient funds are requested for enhanced vouchers.

J. PILOT PROGRAM

Q-1. Has HUD run a test or pilot program similar to this in any part of the country?

A. The proposed Flexible Voucher Program draws on the experience of the national Moving-To-Work (MTW) Demonstration. The MTW Demonstration explored the value of providing wide-ranging administrative flexibility to PHAs in order to maximize performance and accountability in the delivery of the housing choice voucher and public housing programs. A number of these MTW PHAs have demonstrated unique and effective ways to improve housing assistance in their communities. Many of these PHAs report that employment and income levels have risen significantly under MTW freedoms, while there is no evidence of severe hardship or increased evictions from housing assistance.