

The Section 8 Voucher Reform Act

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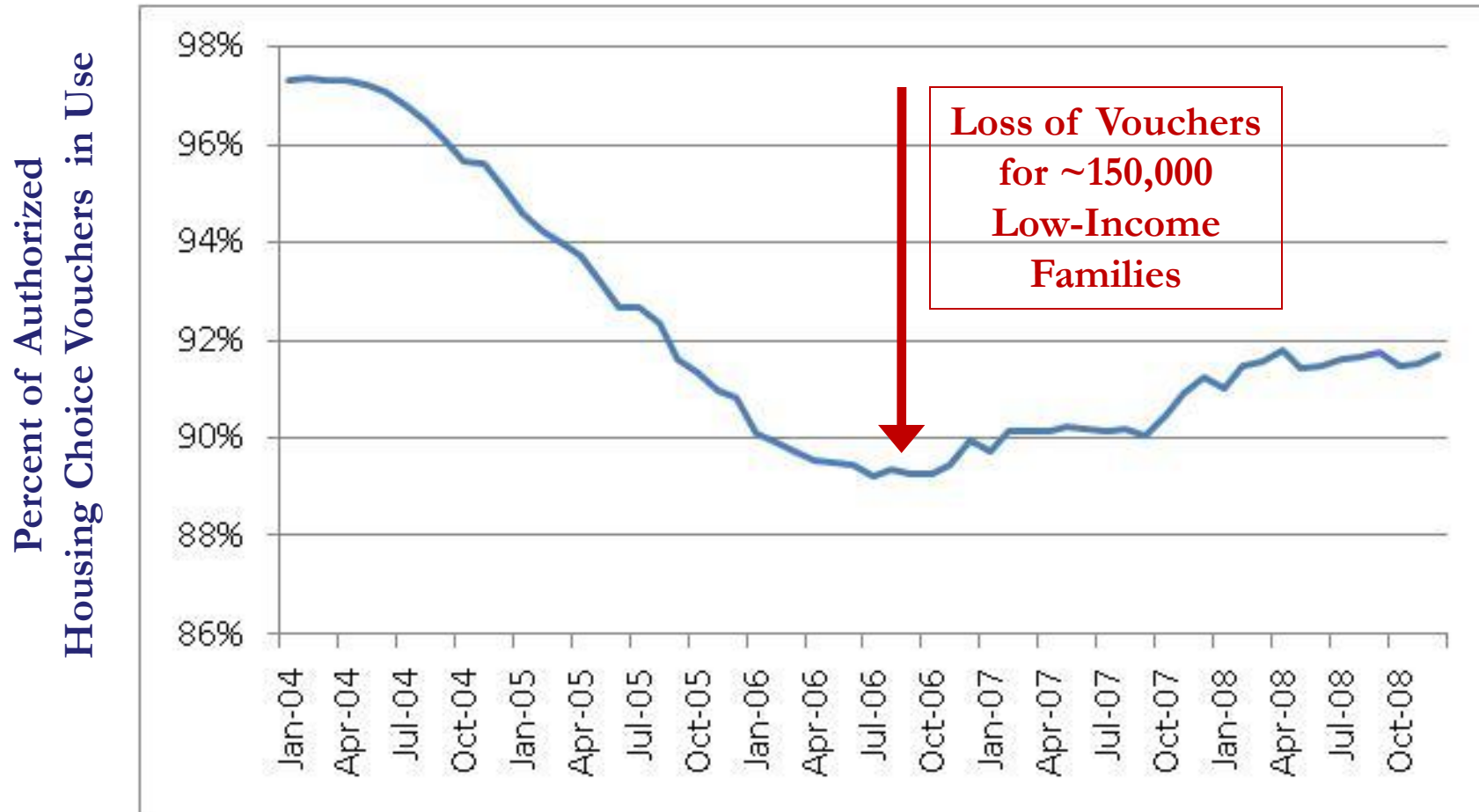
What is the Voucher Program?

- Largest low-income housing program and most targeted on poor families.
- Vouchers help families rent modest housing of their choice in the private market.
- Highly effective in reducing homelessness and housing instability.
- Most cost-effective way to expand housing assistance.

Background

- Congress last updated the voucher and public housing programs in 1998.
- Beginning in 2003, the Bush Administration proposed a housing voucher block grant with few federal rules.
- Instability in voucher funding policy 2003-2006.

Funding Instability Caused a Loss of ~150K Vouchers, 2004-2006



History of SEVRA

- 2006: SEVRA approved by House committee, but no further action.
- 2007-2008: House passed SEVRA by bipartisan vote of 333-83. Introduced in Senate and hearing held, but no further action.
- 2009: Committee leaders in House have circulated a draft and held hearings.

Overview

- The Section 8 Voucher Reform Act would:
 - Establish a stable, efficient voucher funding policy;
 - Simplify rent rules;
 - Streamline inspections;
 - Reduce administrative barriers to “portability” moves;
 - Allow greater use of project-based vouchers; and
 - Make other needed reforms that will enhance the program’s performance, benefiting PHAs, tenants, and owners alike.

Voucher Funding

- Establishes stable policy in authorizing law.
- Renewal funding based on leasing and costs in prior calendar year, with HUD flexibility on adjustments.
- Protects reserves up to at least 5 percent of funding, but provides no additional funding to restore reserves.
- “Excess” reserves and renewal funds used for added FSS and portability costs and to serve additional families.

SEVRA Voucher Funding - 2

- Advance mechanism to borrow up to 2% of funding in last quarter if reserves are insufficient to meet costs
- No voucher “cap” and all vouchers used are eligible for renewal funding except:
 - Vouchers funded out of agency reserves above 103% of number leased in the prior year; and
 - Vouchers funded by non-Section 8 funds (unless due to funding cut).
- Funding reduced pro rata if appropriations insufficient.

Administrative Funding

- Distributes administrative fees based on vouchers leased and allows HUD to revise the formula by regulation.
- More stable FSS coordinator funding distributed by formula through administrative fee.

Incremental and Tenant Protection Vouchers

- Authorization for 150,000 incremental vouchers in each of next 5 years.
- Required replacement of all lost federally assisted units with tenant protection vouchers.

Rent Policy

- Retains Brooke: 30% of adjusted income for rent.
- Streamlines rules on deduction and process for certifying incomes.

Rent: Income Deductions

- Deductions simplified
 - *Elderly/disabled*: Changes standard deduction to \$725 (from \$400); deducts medical expenses over 10% (rather than 3%) of income.
 - *Work*: Deducts 10 percent of first \$9,000 of earned income to replace time-limited earned income deduction; deducts child care expenses over 10% of income (instead of all unreimbursed expenses).
 - *Dependents*: Increases dependent deduction to \$500 (from \$480).

Rent: Process Changes

- Fewer recertifications
 - Fixed income: every 3 years
 - Others: annual, with interim recertifications only for income declines or *unearned* income increases of \$1,200 or more
- Requires use of prior-year income, except initially and for interim adjustments.

Rent – Overall Impact

- No estimates on new discussion draft, but CBO estimated that similar provisions in H.R. 1851 would reduce revenues somewhat, with the reduction offset by targeting changes.
- Estimate did not take into account administrative savings from fewer recertifications and other changes.
- HUD must report to Congress on impacts on public housing and adjust operating subsidy.

Alternative Rents

- Allows agencies to establish tiered and other alternative rent systems, but:
 - Only in public housing;
 - Cannot be applied to elderly or disabled households; and
 - Rent for all tenants must be the same or lower than it would be under the regular rent rules.

Inspections

- Retains federal Housing Quality Standards.
- PHA may rely on inspections performed for other housing assistance programs using comparable (or higher) standards.
- PHA can let tenant move into a unit with non-life-threatening violations, with subsidy continued if conditions fixed in 30 days (or longer period allowed by PHA).

Ongoing Inspections

- Allows bi-annual inspections (currently annual).
- PHA option to use abated subsidy funds to fix defects that owner doesn't cure;
- If defects remain after abatement period, family must be given assistance to move with voucher (using 2 months of abated subsidy funds).

Project-based Vouchers

- Allows project-basing of 25% (rather than 20%) of funds, plus 5% for homeless or supportive housing or in tight market areas.
- Adds exceptions to limit of 25% of units in project with PBV assistance (“income-mixing”) for small projects and tight market and lower poverty areas.
- PBVs in lieu of enhanced vouchers, at option of PHA and owner/preservation purchaser.
- PBV conversion of public housing could be added.

SEVRA: Portability

- Key feature of voucher program is family option to choose where to live, without limitation to agency “jurisdiction.”
 - Potential not fully realized.
- SEVRA directs HUD to issue a rule revising portability procedures to reduce “billing” and administrative barriers, without undermining ability of PHAs to serve their waiting lists.

Payment Standards and FMRs

- Requires annual HUD reports on **rent burdens** and **concentration** of voucher holders.
 - PHAs must consider payment standard increases to alleviate problems.
 - HUD must approve FMRs up to 120% of FMR when rent burdens or concentration are high.
- Smaller areas for **Fair Market Rents**

Income Targeting and Eligibility

- Allows income targeting at higher of 30% of median income or federal poverty line
- Ongoing eligibility limit of 80% of AMI (instead of only at admission)
 - Optional for public housing and project-based Section 8
 - Does not apply to enhanced vouchers

Asset Test

- \$100,000, excluding retirement and FSS accounts
- May not own real property unless it is assisted under USHA (time allowed for sale; domestic violence exception)
- Optional in public housing and for elderly and people with disabilities.

Other Provisions

- Establish statutory **performance goals**, including deconcentration.
- Ability to use vouchers to cover **mobile home** costs.
- PHA **authority to make utility payments** when owner is responsible but fails to pay

SEVRA: MTW/HIP

- Current House draft does not contain an MTW provision.
- Could be added prior to introduction.

Legislative Outlook

- Likely to be introduced in House soon. Could be marked up in June or July.
- Senate timeline is uncertain.

Why Now?

- Action is already overdue.
- New HUD could use SEVRA as foundation for administrative and regulatory improvements.
- Helping more families and other improvements are urgent in time of rising poverty and homelessness.

For more information:



Comparison of House draft bill and current law:

<http://www.cbpp.org/files/4-28-09hous-prac.pdf>

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Questions:

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