



# CENTER ON BUDGET AND POLICY PRIORITIES

## NEWS RELEASE

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### **HUD CUTTING RENT AID TO LARGER LOW-INCOME FAMILIES Unannounced Cut the Latest HUD Move Against Voucher Program**

New, more restrictive HUD limits on rental assistance for larger low-income families in many areas will sharply reduce the amount of aid these families receive through the "Section 8" voucher program during fiscal year 2005, a new report by the Center on Budget and Policy Priorities finds. The report includes data showing which counties in each state will be affected by the cuts.

The cuts, which amount to a decline of more than \$200 per month in housing assistance for large families in some areas, affect low-income families seeking housing with three or more bedrooms. Such families will either have to pay a larger share of the rent out of their limited incomes or move to new areas that have lower housing costs but also are likely to have fewer jobs, poorer schools, and more crime. Most families in the voucher program have incomes below the poverty line.

"These families already are struggling to support themselves, and HUD's decision puts them in a deeper hole when it comes to affording housing," said Barbara Sard, head of housing policy at the Center and one of the report's authors.

#### **HUD Reducing "Fair Market Rents" for Larger Apartments**

Each year HUD sets Fair Market Rents (HUD's estimate of the amount needed to cover the rent and utility costs of moderately priced housing) for more than 2,000 metropolitan areas and rural counties around the country. The state and local housing agencies that run the voucher program must use the Fair Market Rents to set maximum rent levels for the program.

HUD has found that large families tend to have more difficulty finding apartments they can rent with their vouchers than smaller families do. Apartments with more bedrooms are both more expensive and often scarcer than smaller units. In addition, some landlords are reluctant to rent to larger families. As a result, larger families are more likely than smaller families to be forced to return their vouchers unused.

For more than two decades HUD has calculated the Fair Market Rent for larger apartments in a manner intended to give larger families the same opportunity that smaller families have to use their vouchers. For example, HUD has ensured that the Fair Market Rent for a four-bedroom apartment in a given area is at least 40 percent above the Fair Market Rent for a two-bedroom apartment in the same area.

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However, starting in fiscal year 2005 (which began October 1), HUD is cutting the minimum percentage by which the Fair Market Rents for four-bedroom apartments must exceed those for two-bedroom apartments, from 40 percent to 23 percent. This change will reduce the Fair Market Rent — and thus the amount of assistance — to larger families in a number of areas, forcing them to increase their own rent payments or look for cheaper apartments, which in many cases would mean moving to areas that are less safe and have fewer opportunities.

Families with children will bear the brunt of these changes, since they account for virtually all of the households with vouchers who live in housing units with three or more bedrooms. Hispanic families also are likely to be disproportionately affected, since they tend to have more children. The cuts will take effect immediately for families that are entering the voucher program or are moving to new homes, while families that already have vouchers and stay in their current homes may not be affected for a year or two.

### **“Stealth Cut” Imposed with No Public Notice or Explanation**

Housing agencies, tenants, and Members of Congress were effectively denied an opportunity to comment on the change in Fair Market Rents because HUD did not disclose that it was making this change when it issued the proposed Fair Market Rents for comment in early August (four months later than they are traditionally issued for comment).

“It’s extremely disturbing that HUD made these cuts without telling the public what it was doing or why,” Sard stated, “though perhaps it is not surprising, given other HUD actions this year with regard to the voucher program.”

The change to Fair Market Rents is part of a larger pattern of disruptive HUD actions that have buffeted the voucher program this year. The Administration’s 2005 budget, for example, proposed converting the voucher program to a block grant — thereby eliminating nearly all of the program’s protections for low-income families — and cutting its budget by \$1.6 billion for 2005 and \$4.6 billion by 2009.

Also, in April HUD announced a major change in the way it distributes voucher funds. Under the new funding formula, many housing agencies received less funding than they needed to maintain their programs so were forced to institute cutbacks, even though Congress had given HUD sufficient funds to avoid any cuts. Over the next several months HUD provided additional funds to some of the agencies that were shortchanged by the new system, but not all agencies received the funds they needed. Moreover, by the time HUD got around to providing the additional funds, many agencies had already made cuts that could not easily be reversed.

Actions such as these weaken the voucher program. Landlords will be more reluctant to rent to voucher holders if they think the government will not stand behind its commitment to fund existing vouchers. Housing agencies cannot run the program effectively if they do not know what funding they will receive or whether program rules will be soon be revised. Also, uncertainty about the reliability of their vouchers causes needless anxiety for low-income households, most of whom are working families, senior citizens, or people with disabilities.

**The Center on Budget and Policy Priorities** is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.