

# Dialogue with Amy Ginger, HUD Director of Housing Voucher Programs, on Improving Housing Voucher Utilization

*This is a lightly edited transcript of a dialogue between Amy Ginger, Director of the Department of Housing and Urban Development's Office of Housing Voucher Programs from 2015 to 2017, and Barbara Sard, CBPP Vice President for Housing Policy. It took place April 6, 2016, during a webinar hosted by CBPP, "Increasing Housing Choice Voucher Utilization."*

**Barbara Sard:** Before we dive into the details of voucher utilization, let's first clarify some terminology. Can you explain to people the difference between voucher success and voucher utilization?

**Amy Ginger:** Good afternoon everyone, thank you Barbara for inviting us here today. This is a really important topic to us in the voucher program. Doug [CBPP Senior Policy Analyst Doug Rice] touched on voucher utilization and the difference between unit utilization and budget utilization, which is about how many units are PHAs [public housing agencies] leasing up and how much of their annual budget authority are they using.<sup>1</sup>

The voucher success rate is linked to a PHA's ability to have an effective voucher utilization rate. The voucher success rate is the percent of vouchers issued to families that results in an actual lease and a HAP [housing assistance payment] contract between the PHA and the owner. In other words, the success rate captures what share of families that are issued vouchers are successful in leasing up.

**Barbara Sard:** Thank you. So, let's first think about, from the perspective of housing authorities, what are the incentives for PHAs to improve overall utilization as well as the success rate for families looking for housing to rent with their vouchers?

**Amy Ginger:** We think the benefits and incentives to PHAs are numerous. The first is related to the problem of homelessness we have in this country. Doug mentioned the recently released [Family Options Study](#), which determined that the voucher was truly the single most effective way to end homelessness. We currently serve about 2.2 million households, which is only 1 in 4 of the households that need it. We have well over 10 million individuals on waiting lists across the country. About 70% of families living in poverty pay more than half of their income towards rent. The voucher program really is an effective intervention on that statistic. Only 7% of voucher holders actually pay more than 50% of their income towards rent. So, it's a very useful tool for communities to use in preventing and ending homelessness in their communities. It's also a useful tool to prevent excessive rent burden for low income families.

The other important piece is that, in our budget based funding model, you have to spend it to get it. So, in order for PHAs to increase their renewal eligibility for 2017, they need to spend their money in 2016. Sort of on a related note, we pay PHAs their administrative fee based on how many UMLs

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<sup>1</sup> Unit utilization rate = the share of an agency's authorized vouchers that families are using (i.e., are leased). Budget utilization rate = the share of an agency's annual voucher assistance funding (HAP) that is spends to lease vouchers.

[unit months leased] they have.<sup>2</sup> For every month that a tenant is under lease, the PHA earns an administrative fee. So, if tenants are not under lease, the PHA is earning less administrative revenue.

We also have our Section 8 management assessment program that we use to evaluate PHAs' performance in the voucher program. A PHA's ability to utilize their units and their dollars is a very major component of that scoring system. In fact, that accounts for about 15% of all the available points. So for a PHA to achieve just a standard level of performance, it has to be at 95% utilization. And there are consequences to the PHA when they're not utilized. They can't receive new allocations of vouchers, so for example if we were to award the \$88 million for homeless vouchers, if a PHA is not above 95% utilization, it would not be eligible to receive those vouchers. So, that's important.

There's also the risk of renewal funding offsets. HUD has about \$1.5 billion in HAP reserves.<sup>3</sup> That doesn't include the reserves held by MTW [Moving to Work] PHAs. When reserves have gotten to this level in the past — such as in 2008, 2009, and 2012 — Congress directed HUD to do offsets against the next year's renewal funding. And \$1.5 billion is getting to that level where we are uncomfortable with it for that reason. Congress gets information from us throughout the year on voucher leasing and costs. So, they're aware and they're watching. HUD also has the authority to offset and redistribute excess reserves when the HAP proration is not enough.<sup>4</sup> So, if the HAP proration is too low we could do that. We've been very fortunate in 2016 and 2015 that we got very close to 100% proration. But, that's always a risk out there for us.

Two more things are worth mentioning here. One is reducing participant rent burdens. PHAs that are perhaps close to 100% on their units but have some excess budget authority sitting around in their reserves have the ability to increase their payment standards so the tenants aren't paying too large of a portion towards their rent.

And then lastly, reducing administrative costs by working to improve success rates. In the end PHAs will have to issue fewer vouchers because they will be more successful. As Doug mentioned, there are 88,000 vouchers on the street [that is, families have been issued these vouchers and are looking for housing to lease with them] — that shows a lot of work being exerted by all of our public housing agencies trying to lease up. But if the success rate isn't good, that's effort that could have been saved and used elsewhere.

**Barbara Sard:** Amy, you mentioned your concern about the funding reserves that are building up. And part of what we've heard in discussions with some PHA staff is that the procedure that HUD instituted a few years ago to actually go back to the way it used to be — of HUD holding reserves for the agencies in the Treasury rather than agencies having direct access in their own bank accounts — has created barriers, whether psychological or real, in agencies accessing them. And I think this is

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<sup>2</sup> For most agencies (i.e., not among the small number of agencies with special Moving to Work funding agreements), renewal funding eligibility is based on voucher leasing and costs during the prior calendar year, with adjustments. Agencies' administrative fee eligibility is based in part on voucher leasing in the prior quarter.

<sup>3</sup> HAP reserves are unspent voucher assistance funds from prior years.

<sup>4</sup> HAP proration = renewal funding available divided by total renewal funding eligibility. Through reserve offsets, HUD can increase renewal awards to some agencies by reducing awards for agencies with excess reserves — in effect, by requiring the latter agencies to meet renewal costs by spending down reserves.

also very opaque for the advocates on the line about how to talk about it and what's involved. Can you just explain the process? How does the housing authority know how much the reserves are that HUD is holding and how can they get access to them?

**Amy Ginger:** Sure. So, sort of as an introductory statement on that: You know, under Treasury requirements HUD must hold the HAP funding that a PHA doesn't immediately need. And I agree, it is opaque. We pay PHAs based on what they spent a few months ago, and do quarterly cash reconciliations. So, we are kind of always reconciling and catching up to make sure we are only giving a public housing authority what they need. So, every quarter we send a notification to the public housing agency, I think it's in attachment A, that explains to them the funding that they're eligible for, the funding they've received, and what we're holding in reserves. And I understand that doesn't always add up. Each PHA has an assigned financial analyst through our financial management center in Kansas City and there's a lot of dialogue between the two entities.

I've heard from PHAs that they don't always understand that those are their funds. The funds that HUD holds are your money that is obligated to you. Nobody else can spend it, we can't give it to your neighboring PHA. So that is obligated to your PHA and it's quite simple to get access to that money. The PHA simply needs to contact their financial analyst at the financial management center and request it and they'll have it in a week in their bank account. So, it's quite simple.

Now to your question about how advocates can know how much funding a PHA is holding. HUD acknowledges that that's of interest to advocates and we've received several requests to post reserves on our website. We're still thinking about it. You know, I would encourage advocates to contact the local public housing agency. They can and should be willing to tell you how much they are holding in reserves. As Doug said, 6-8% of annual voucher subsidy payments is a good, general broad stroke. Each PHA is individual and that's part of our concern about posting reserves — managing an appropriate reserve level is sometimes more art than science. I would encourage advocates to open the relationship with the local public housing agencies. And PHAs get that quarterly enclosure from us and I believe they can access it through our two-year forecasting tool.<sup>5</sup>

**Barbara Sard:** Thank you. So, with that answer I can confirm the Center will post our estimates of reserves. I just want to flag in advance we don't have data that is as up to date as HUD has and we certainly are not party to any of the individualized concerns. So, this is a starting point, but for the reasons that both Doug and Amy have explained, we are concerned that there's too much sitting in reserves. People need that assistance and the voucher program, on net, could lose money if funds don't get used. That's why we scheduled this webinar early in the calendar year and we want advocates to have that tool to help initiate that conversation with PHAs about the use of funds.

So let's turn to more of the real nuts and bolts and how this process works with families. What kinds of broad things can housing authorities do to improve the ability of a family who's been issued a voucher to succeed in leasing a unit?

**Amy Ginger:** How can we get those 88,000 families to lease a unit, right? I can emphasize at the outset how important it is for public housing authorities to understand their success rate. I think we

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<sup>5</sup> HUD's Two-Year Forecasting Tool, as well as detailed guidance on how to use the tool, are available on the [Housing Choice Voucher Program](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv) web page at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/hcv](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv).

see more often that public housing authorities just have a feel for how often someone is going to lease up. But really collecting that data — we provide that option in our two year forecasting tool, we give you at least a starting point [to do] that — [as well as] understanding [the success rate] and what affects [it] is very, very important. So, I would encourage every public housing agency to start actively tracking their success rate.<sup>6</sup>

One of the big things we have seen and honestly have some concerns about is the buying power of the voucher in the market. Some kind of quick, back of the envelope math from, I think it was 2014, showed that over half of the vouchers had a payment standard below 100% of the Fair Market Rent (FMR). Granted that was 2014, we need to update that for 2015, but we had expected in the sequestration rebound year that we would have seen payment standards on the rise and we just haven't seen that. So, we would encourage PHAs to really be looking at their rental market to make sure their payment standards are adequate for tenants to get into the rental market, into a wide variety of rental markets as well. So, just as a reminder, public housing agencies can set multiple payment standards for their jurisdiction between 90 and 110% and there are regulatory levers if you need more than 110%.

This will probably sound a little bit like preaching to the choir to the PHAs, but good landlord outreach and, where feasible, implementing landlord-friendly policies are important — because if you don't have landlords on your voucher program, you don't have a program. You need to have a good group of landlords that are willing to lease. So, we would encourage looking at ways to streamline the inspections process — HQS [housing quality standards] inspections are a big thing that voucher program landlords have to do but that market landlords don't have to do. So we'd really encourage, where feasible in your rental market, that you look for ways to be as landlord friendly as possible.

In line with that are good briefings — making sure families understand the program, that you're providing adequate landlord listings or resources for tenants to use so that they can find a unit. PHAs' policies on housing search times and extensions in some markets — particularly those where vacancy rates are declining to the point of 1% or less, which is true for a big part of this country right now — are important to give tenants enough time to search and support them through the search process.

**Barbara Sard:** We are going to wrap up in a few minutes because we do want to leave time for people's questions. But, I wanted to just drill down a bit on the increasing number of tight markets as you mentioned. Are there some other strategies that PHAs could be taking to improve utilization beyond those that are really good practices for all PHAs?

**Amy Ginger:** We've seen some innovative PHAs that have done collaborations with social service organizations or fair housing organizations that will kind of give their services to the voucher tenants for help finding a unit, particularly, I think, with special populations. So, this has been particularly successful for the homeless, disabled veteran population, but we've seen some PHAs that have been able to do that in nonspecialized populations as well. So there are social service organizations out there that do this kind of work.

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<sup>6</sup> For more information on improving success rates, see HUD's [guidance document](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv) at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/hcv](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv).

Project basing vouchers is a concept we've been talking to a number of agencies about where they've got very, very tight rental markets. Just as a reminder, PHAs can project base up to 20% of their annual budget authority. The project basing allows you to commit hard units over the long term as well, so I would encourage PHAs to look at that. And the payment standard of the voucher in tight rental markets is very important.

**Barbara Sard:** Can you tell folks what kinds of resources that HUD offers to PHAs to reinforce or give more detail on the strategies that you've mentioned?

**Amy Ginger:** Well, I'm going to put a big plug on our two-year forecasting tool here. It's available on the HUD website. It is a tool that your local field office uses when looking at how you're performing on your utilization, so I would highly encourage public housing agencies to use that. I would also encourage you to reach out to your local field office. It's very important to us, we are paying lots of attention to it at both the headquarters and the field office level. So, I would venture to say that your local field office staff stand ready to assist you with strategies to assist you in increasing your utilization.

**Barbara Sard:** That's great. HUD has actually provided some guidance on the subject. This has been recently updated on your website and folks will see that on the resource list slide at the end. So, we are going to turn to questions. There were a few questions for Doug at the beginning — I think folks may have gotten a bit confused about what's going on with VASH vouchers and the current request. You both may want to address this.

**Doug Rice:** Every year since 2008, Congress has provided funding every year for new VASH vouchers, these are Veterans Affairs supportive housing vouchers for homeless veterans. In 2015, there was \$75 million dollars, in 2016 \$60 million dollars, but HUD is requesting just \$7 million for 2017. I suppose Amy ought to answer this question.

**Amy Ginger:** Sure. So the question is: Why no ask from HUD for VASH? HUD did not request VASH vouchers in 2016 either, we were awarded them. And we have not asked for them in 2017 because there have been great strides made in reducing veterans' homelessness. It's down 30 something percent, but it's certainly not all the way there. But we believe with the amount of turnover we have on the VASH program, along with the other programs that are offered either by the Veterans Administration or by other parts of HUD, for community planning and development that there's enough capacity to serve all the homeless veterans. I think the bottom line is that HUD doesn't believe that the voucher program is the only solution to ending veterans' homelessness. That's the reason HUD didn't ask for more VASH vouchers. To clarify, the \$7 million for HUD VASH is actually for Tribal HUD VASH, it's not for standard HUD VASH.

**Doug Rice:** And I should just clarify that the VASH line in the request is only for new voucher money. With respect to the cost of renewing all the current VASH vouchers that are out there, funding for that is included in the renewal line. So, the cost of renewing VASH vouchers is fully accounted for in the budget request.

**Amy Ginger:** Good clarification, yes.

**Doug Rice:** I'll answer one other quick question for me. Someone asked about the possibility of funding to "maintain leasing." This refers to the fact that for the 2015 round of appropriations,

Congress set aside or authorized a portion of renewal funds to be allocated to the agencies that had strong leasing increases at the end of the year. So they leased up additional vouchers, but the renewal costs were not fully accounted for in the calendar year leasing and cost data. They were eligible for some additional funds to cover some of those costs. Congress did not authorize funding for such adjustments for 2016 and I think it's very unlikely they will provide that authority for 2017 as well. All of which means, I think, it's still important for agencies to lease up, but when they receive their 2017 renewal funding they can expect that funding to cover just the costs that are captured in calendar year 2016 and there won't be additional funding for end of year lease ups. This means they have to set aside reserve money from other sources to cover that.

**Barbara Sard:** Here's a question for Amy: can you clarify what's a good success rate?

**Amy Ginger:** I don't have an answer in my pocket on what a good success rate is. I mean, I would say that it is defined for a PHA so that they are issuing enough vouchers to get enough leases to meet their leasing needs. I think over 70 is about right. I think we see it a little less than that now and when we last studied it, it was in the low 60s.

**Barbara Sard:** The national average success rate in the last HUD study, I recollect, was 69%.

**Amy Ginger:** I think for a PHA if you can get yourself over 70%, that way you're not spending too much time going through the process of issuing a voucher to someone who's just not going to be able to lease up because the payment standard isn't high enough or there aren't enough landlords that are willing to lease.

**Doug Rice:** So it sounds like it's important to distinguish two things. One is the success rate and agencies ought to do what they can to improve their success rate. But, for agencies that, despite their efforts, are still struggling to lease up vouchers, it's important for them to balance that by issuing more vouchers.

**Amy Ginger:** Yes. It's really important for PHAs to study and understand their success rate and what goes into it. You know, there are many, many factors that intervene between pulling someone off a waiting list to issue them a voucher and them securing a lease. Many, many things cause people to fall off in that process. And the more you know about that, the more you can plug that into your estimates of how many vouchers you need to issue and you can find where you're failing, and then, where you can actually have some ability to change that.

**Barbara Sard:** A question diving a little more on project basing: when an agency commits project-based vouchers to a project but there's nobody occupying the unit yet, does that commitment help with funding, with success rate, or utilization rate? How does that work, since it's a little complicated?

**Amy Ginger:** It is complicated. You don't have to shelve vouchers while you're waiting on your project to be developed, unless you have a 0% turnover rate... But every PHA has some turnover. If you're doing new construction with project-based vouchers, you have a development schedule and you know when those vouchers are going to need to be available to you to enter into the HAP contract. And if you're studying your success rate and your attrition rate, you can estimate when vouchers are going to become available. I'm glad you brought that up, because that's a misconception among PHAs that somehow you have to shelve these vouchers.

**Barbara Sard:** But, if an agency has decided, because of its turnover rate in relation to the scale of the project basing, that shelving is appropriate, how does that play into their renewal funding eligibility?

**Amy Ginger:** If it's not spent, I don't believe it actually gets calculated in.

**Barbara Sard:** It is permissible under the eligibility requirements for set-aside funds that a housing authority can receive additional funds if it can show that it had to shelve vouchers to comply with a project-based voucher commitment. So these funds don't count under the usual renewal formula because they're not spent. But on the other hand, funds won't be available to spend when needed and the unit is ready for occupancy unless new funds are provided.

**Amy Ginger:** That's right. There is the PBV [project-based voucher] set aside. If you all read PIH Notice 2016-04, which is our annual funding notice, you'll find a very detailed description of the project-based voucher set aside.

**Barbara Sard:** I think this person speaks for what I've heard from a lot of housing authorities: How can a housing authority counter the negative spiral that sequestration created? Administrative fees were so low that it was hard to issue vouchers and then if they don't lease more vouchers . . . how do they turn the downward spiral into an upward spiral?

**Amy Ginger:** That's a very good question and something we've heard from PHAs. I encourage PHAs to step back from just the leasing challenge and look at the overall administration of their program because admin fees are what they are. We've made a big request in 2017 to fully fund the new formula. We don't know what Congress is going to do. They've been kind of flat now for two years at 80%. I encourage PHAs to look at where can they cut costs elsewhere in their program. Where do I have duplicative procedures? Where am I doing things that are no longer required by the regulations? Where can I streamline elsewhere to make room within my current administrative budget to lease vouchers? That's really the only way out of the negative spiral.

**Barbara Sard:** I like to talk about it as an investment. It's one of those upfront investments that you have to make in order to earn more fees over time. Some of the questions indicate a tension in people's minds between using their funds, with all of the good and bad consequences (bad consequences if they don't succeed), and extending search time. How should PHAs be thinking about that?

**Amy Ginger:** I always go back to this: it's more art than science. If it were an easy formula, we would have put it out there. Or someone would have made a lot of money as a consultant figuring it out. I get that if you don't have a UML, Unit Month Leased, you're not getting a payment. But, what good does it do to issue a bunch of vouchers that don't have success? So then on the net you end up with more administrative costs in having administered all these vouchers and only half of them lease up because you gave them 60 days. Whereas maybe you could have issued fewer vouchers, given them 120 days and 80% would have leased up. Like I said, there's no formula we can put down, but think about the cost benefit of a longer search time or a shorter search time.

**Barbara Sard:** Here's an interesting question on tight markets. How can a PHA go out of its own jurisdiction, if its own jurisdiction is very tight, to find landlords interested in doing business with the housing authority?

**Amy Ginger:** If we are talking about porting them out, then I think there's nothing preventing a PHA from reaching out to any landlord anywhere. You could take the exact same strategy you do with the landlords in your own jurisdiction. If you happen to have a good relationship with your neighboring PHA or the PHA that has the jurisdiction where you are looking to potentially move the tenant to, obviously a good collaborative relationship with PHAs always makes portability moving a lot easier.

**Barbara Sard:** There's no inherent reason why a housing authority can't recruit landlords outside of the geographic boundaries of its service area, correct?

**Amy Ginger:** No, there's nothing preventing that. And I can envision a world where that would have benefits. You may reach out outside your jurisdiction and maybe a landlord decides to become a property owner in your jurisdiction. So I could see lots of benefits to having good relationships all over the place.

**Barbara Sard:** On this issue Doug had mentioned, is there a rule of thumb on the amount of agency reserves? Doug pointed to 6-8% because policymakers have used that range in various proposed bills that were never enacted. There was a 6%, there was an 8% figure (actually, there was a two-month figure and then it was cut back to about one month, and 8% is a little under one month) in earlier negotiated rulemaking on this issue. Can you explain again how the two-year forecasting tool can help an agency figure that out — and particularly for some of the advocates on the line, figure out how to find this on the HUD website?

**Amy Ginger:** Our range tends to be a little wider. We tend to look between 4 and 16% and it comes together around 8 because we do it by PHA size. We acknowledge that the smaller you are, the more you probably need to keep. The bigger you are, the more leeway you have. So I think 6-8% is a good rule of thumb for starting on whether or not you have what we call potentially excess reserves, or reserves that could be used. As for the two-year tool, I can't speak to the actual mechanics but I know there is a place there where they can find out what their reserves are and they can model different scenarios. An example of a modeling scenario being: if I issue 500 vouchers, given my success rate of 50%, what's this going to do to my spending this year and what's this going to do to my reserves? The field office actually populates the reserves into the two-year tool for the PHA.

**Barbara Sard:** In the interest of time, I'm going to answer this question, about whether state or local laws against source of income discrimination could increase voucher leasing. That's true, studies have shown that. One way housing authorities and advocates could usefully partner together in states where the market is very tight and success rates are declining is for the housing authorities to share the data on success rates. That is not public data now, so housing authorities really control that information and it can be very effectively used by advocates in helping to persuade policymakers — best at the state level — to protect voucher holders from discrimination. And we actually are seeing an uptick in the number of states considering these policies as rental markets have gotten tighter. So, I think that is very important. Another item that the HUD guidance points out is to make sure searchers have a list of properties that have Low Income Housing Tax Credits or

HOME funds, because under those programs, there's already an obligation not to discriminate against voucher holders.

Thank you again, I hope people have found this useful.