



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:

Directors of HUD Regional and Field
Offices of Public Housing;
Public Housing Agencies that Administer the
Housing Choice Voucher Program

Notice PIH 2024-21(HA)

Issued: June 24, 2024

Expires: This notice remains in effect until
amended, superseded, or rescinded.

Cross References: PIH Notice 2024-16

**SUBJECT: HCV 2024 HAP Funding – Revised HAP Set-aside Shortfall Funding
Requirements**

1. **Purpose.** This notice revises the Calendar Year (CY) 2024 Housing Assistance Payment (HAP) Set-aside shortfall funding requirements. It establishes additional public housing agency (PHA) eligibility requirements for the CY 2024 shortfall funding category, including more stringent restrictions on the issuance of vouchers, and provides updated information on the shortfall funding calculation and funding awards.

This notice supersedes Appendix E of PIH Notice 2024-16, Implementation of the Federal Fiscal Year (FFY) 2024 Funding Provisions for the Housing Choice Voucher (HCV) Program, issued May 28, 2024.

2. **Background.** The appropriations for the HCV HAP renewal funding for CY 2024 is made available through the Consolidated Appropriations Act, 2024 (Public Law 118-42, enacted on March 9, 2024, and referred to in this notice as “the 2024 Act.”). Notice 2024-16 describes the 2024 Act provisions that apply to the HCV program.

The 2024 Act provides up to \$200 million for the HCV HAP Set-aside, through which HUD may make adjustments to PHAs’ CY 2024 HAP renewal allocations for certain specified purposes. One of the eligible categories under the HAP set-aside is funding for PHAs that, despite taking reasonable cost savings measures as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funding. As discussed in section 11.A of PIH Notice 2024-16, this shortfall funding category may also be funded in whole or in part through the offset described in section 4, step 5 of that notice.

Due to 2024 shortfall concerns, HUD must take several steps to mitigate the risk that funding resources may not be available to prevent terminations in CY 2024. This includes delaying the awarding of funding under the other HAP set-aside categories until later in the

year, revising the exceptions under which a shortfall PHA may continue to issue vouchers, and establishing other additional eligibility conditions for shortfall funding. Further actions may also be warranted.

3. **HAP Set-aside Shortfall Funding Impact on Other Set-aside Categories.** HUD is prioritizing the need for shortfall funding to prevent terminations over the other HAP Set-aside funding categories. Consequently, HUD will delay making awards for the other funding categories. Furthermore, HUD may prorate funding awards or decline to make any funding awards for some or all other Set-aside categories depending on the extent of shortfall funding needs.

The shortfall funding amount that a PHA will be eligible to receive from the \$200 million HCV Program HAP Set-aside, any funds available through CY 2024 offsets against excess reserves, and the \$10 million Mainstream Voucher HAP Set-aside, will be calculated by HUD. HUD will use the Two-Year Forecasting Tool (TYT) and the most recent validated voucher leasing and expense data available in the Voucher Management System (VMS) at the time the PHA's application is reviewed, including any updated information supplied by the PHA.

4. **PHA Requirements for Shortfall Funding.** Under the 2024 Act, the PHA must take reasonable cost savings measured as determined by HUD to be eligible for shortfall funding.

Upon receiving notification that HUD's Shortfall Prevention Team (SPT) has identified a projected shortfall in the PHA's HCV program for CY 2024, the PHA must comply with all required actions outlined in the SPT notification and any subsequent SPT notification. The required actions include:

- Immediately suspend the issuance of vouchers in accordance with the requirements described below.
- Immediately cease to absorb vouchers under the portability provisions until otherwise instructed by the SPT.
- Implementing all other cost savings measures identified by the SPT in the PHA's Action Plan within the SPT's specified timeframes.
- Applying for the Shortfall funding in accordance with the timeframe specified by the SPT.

The requirement to suspend general voucher issuance is subject to the following exclusions:

- a) Vouchers issued to current HCV participants to allow them to move, and vouchers issued to project-based voucher (PBV) families to move from the PBV project in accordance with the PBV mobility requirements.

- b) Instances in which the PHA is leasing under the HUD-VASH program up to the baseline level of units under all HUD-VASH allocations (not just recent allocations), including turnover of HUD-VASH vouchers.
- c) Vouchers issued to program applicants under Tenant Protection vouchers (TPVs) or special-purpose voucher (SPVs) increments awarded in CY 2023 or CY 2024. These SPVs include Family Unification Program (FUP), Non-Elderly Disabled (NED), and Foster the Youth to Independence (FYI) vouchers.
- d) PHAs may allow applicants to move into PBV units in order for the PHA to meet its contractual PBV obligations. This covers both units being placed under HAP contract for the first time (e.g., in accordance with an Agreement to Enter into a HAP Contract (AHAP)) and PBV units currently under HAP contract that are vacant. This includes PBV projects under the Rental Assistance Demonstration (RAD), including HUD-approved contractual obligations associated with Faircloth to RAD projects.
- e) Vouchers issued pursuant to the settlement of litigation (“Litigation Vouchers”) against a PHA. PHAs must request approval to continue leasing Litigation Vouchers and submit supporting documentation. HUD will review the PHA request and decide on a case-by-case basis using the supporting documentation received as the basis for the decision.
- f) Vouchers awarded to the PHA under the Community Choice Demonstration (CCD).

HUD reserves the right to consider and approve additional exceptions on a case-by-case basis.

PHAs may not issue vouchers and/or execute HAP contracts for families that do not meet any of the exceptions through the end of CY 2024 unless advised that they may resume issuing vouchers by the SPT prior to that time. Please note that PHAs may not issue vouchers to avoid a reduction in leasing due to program attrition, as previously provided in the now superseded Appendix E in PIH Notice 2024-16. In addition, HUD reserves the right to further suspend leasing if necessary.

HUD reserves the right to require a PHA to rescind recently issued vouchers in order to be eligible for shortfall funding should HUD determine such action is necessary or warranted. PHAs should not rescind previously issued vouchers unless required to do so by HUD.

The PHA must continue to work with the SPT throughout the year. The PHA must implement any additional cost savings measures that may be required by the SPT or by HUD notice.

PHAs must fully comply with the eligibility requirements of this Notice or a superseding notice. HUD may reject a PHA shortfall funding application or may reduce or rescind a PHA shortfall funding award if the PHA fails to comply with any of these requirements.

5. **Application Process.** PHAs must continue to follow section 11.A of Notice PIH 2024-16 with respect to the process of submitting the application for shortfall funding. However, Appendix E of that notice has been superseded by the requirements of this notice.

All PHAs applying for the shortfall Set-aside must be working with the SPT at the time of their application and must have received SPT confirmation of the funding shortfall. The SPT will review the PHA's funding available for 2024 and their leasing and expense data to date to determine whether the PHA has a shortfall and the amount needed to resolve the shortfall. If a PHA believes that they are in a shortfall or at-risk of a shortfall, the PHA should immediately contact their local field office to determine if a referral to the SPT is warranted.

The application period for shortfall Set-aside funding will remain open until the SPT has reconciled Shortfalls for all PHAs for CY 2024, subject to funding availability. PHAs that receive Set-aside funds based on their current HAP costs must maintain contact with the SPT to ensure shortfall needs are met. Similarly, PHAs that do not initially qualify for shortfall funding are encouraged to maintain contact with the local Field Office and the SPT and to immediately seek assistance if attrition and other reasonable cost savings measures undertaken by the PHA are not resolving their potential shortfalls.

6. **Shortfall and Funding Shortfall Calculations.**

HUD's TYT can be found in the HCV Program Utilization Tools section of the HCV Program Website (www.hud.gov/hcv). The TYT compares all resources available¹ to support the PHA's HAP payments in CY 2024 with actual HAP expenses for 2024 projected through the end of the CY based upon the best information available.

Resources are calculated using the HUD-calculated Restricted Net Position (RNP) as of 12/31/2023, the HUD-held reserve as of 12/31/2023, the PHA's actual Renewal Annual Budget Authority (ABA) for 2024, and any new voucher incremental funding applicable to CY 2024 or HAP Set-aside amounts awarded or expected to be awarded in 2024.

HAP expenses are calculated based on current leasing and expense data, projected through the end of CY 2024; the PHA's suspension of general voucher issuance; and projected attrition based on actual attrition for the 12 months prior to the PHA's request for HAP Set-aside funds, adjusted for accuracy if the PHA has more recent information that will impact the attrition rate in future months, as reported in in IMS/PIC (or successor system), and considering any updated information supplied by the PHA.

Factors considered by the SPT to determine the amount of a potential shortfall are as follows:

- a. **Cash Supported Total Reserves as of 12/31/2023:** The SPT will use the Cash Supported Total Reserves as of 12/31/2023, which consists of the HUD-Held

¹ This includes any American Rescue Plan (ARP) Act Extraordinary Circumstances renewal adjustments for CY 2021 PUC increases that the PHA has not yet expended.

Reserves, and the lower of HUD-Estimated RNP, PHA Reported RNP as of 12/31/2023, or the actual amount of cash on hand to support the RNP. If there is a discrepancy with any of these amounts the PHA will be required to provide documentation as requested before this adjustment is made.

- b. HUD-held reserve as of 12/31/2023:** The SPT will use the balance reported to the SPT by HUD's Office of Housing Voucher Programs' (OHVP's) Financial Management Center (FMC).
- c. 2024 Renewal ABA:** Actual renewal ABA awards for CY 2024.
- d. SPV and tenant protection funding and Set-asides:** The FMC will provide amounts to be made available to the PHA in CY 2024 for SPV and TPV funding increments applicable to any portion of CY 2024, and for any Set-aside funding previously awarded in CY 2024. The SPT will make adjustments to the shortfall projection to account for the fact that new increment funding for Mainstream, SPVs, and/or TPVs must remain available to lease the newly awarded number of SPVs and/or TPVs and cannot be used to cover the general shortfall.
- e. Unit months leased:** The unit months leased (UML) for CY 2024 will be projected by taking the number of units reported in VMS in the last month available and projecting that number through the end of the year. Reductions to projected leasing will be made to adjust for attrition, in accordance with the annual turnover rate used in the two-year tool. This rate is derived from the PHA's PIC data on families end of participation (EOP). Increases to projected leasing will be made for vouchers issued prior to the date of the notification by the SPT of a potential shortfall and for additional leasing resulting from the admission of families described in each exception category above except that no adjustments will be made for mover families who receive vouchers in accordance with category 1.
- f. Total HAP expense:** Total HAP expense for CY 2024 will be based on a projection of the unit months leased for CY 2024 (described in e above) at the per-unit cost taken from the PHA's most recent VMS report, and considering any updated information supplied by the PHA. If the PHA's PUC increases in future months, and the PHA again determines that it is in danger of a shortfall, the amount of PHA's shortfall award eligibility may be adjusted without the need to reapply.
- g. Vouchers issued or projected to be issued:** The number of vouchers issued as of the date of notification by the SPT of a potential shortfall, as shown in the PHA's VMS report, will be used to determine future leasing, if any, from vouchers issued prior to the date of notification by the SPT of a potential shortfall. Planned issuances for vouchers exempt from the suspension will be shown in the months they will be issued. The projected HAP costs for these units will be affected by the voucher

success rate provided by the PHA and average time from issuance of the voucher to the HAP effective date. HUD has the right to further suspend leasing if necessary.

- h. Other Planned Additions or Reductions to Leased Units:** This field incorporates into the leasing schedule other planned additions to leasing with fixed start dates, such as the dates that PBV units currently under AHAP are scheduled to come under HAP. The calculated HAP cost for these units is not subject to the success rate calculation.
 - i. 2024 Year-End Total HAP Reserve Balance:** Any PHA with a negative projected 2024 year-end balance will be considered a shortfall PHA. PHAs with year-end balances of \$0 or above will not be considered shortfall PHAs or eligible to receive shortfall Set-aside funds.
 - j. Available Unrestricted Net Position (UNP) and Other Eligible Resources, including eligible Federal or Non-Federal Cash:** HUD may consider the availability of UNP or other PHA resources that are eligible to be used by the PHA to cover HAP when determining the amount of a PHA's shortfall award amount eligibility and/or prioritizing PHA shortfall funding need. For example, HUD may have to implement this step if the overall shortfall need for all PHAs is projected to exceed the shortfall funds available. These other resources include but are not limited to Unrestricted Net Position (UNP). If HUD takes these other resources into account and the impacted PHA uses UNP and/or other eligible funds to ensure all landlords are paid on time, HUD may subsequently provide an additional shortfall award (should funding be available) to the PHA to make the HCV or Mainstream program whole. This would allow the PHA to repay the UNP and/or the other eligible funding sources for the amount borrowed pay landlords the HAP on time to avoid terminations.
7. **Paperwork Reduction Act.** The information collection requirements contained in this Notice have been approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. §§ 3501-3520) and have been assigned the following OMB control numbers - Voucher Management System: 2577-0169; Financial Assessment Subsystem: 2535- 0107. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

8. **Further Information.** Questions concerning this notice should be submitted by email to the SPT at Shortfallinquiries@hud.gov.



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