



MOVING TO WORK (MTW) DEMONSTRATION PROGRAM

COHORT 2 WEBINAR

Logistics for Today



Audience engagement: Today's presentation is meant to be interactive. There will be live polling. Please participate!



Availability of Slides: We are recording this webinar and will post the recorded webinar along with the slides on our website (www.hud.gov/mtw).



Contact Us: If you have questions after the webinar you can email us at MTWcohort2@hud.gov



Website: We keep our website updated regularly so please visit us at www.hud.gov/mtw



Overview of Webinar

- Today's Speakers:
 - *Paul Joice*, HUD Office of Policy Development and Research
- Update on Letters of Interest
- *Possible* changes to rent policies:
 - Simplify the stepped rents.
 - Minor changes related to measuring income, hardships.



Letter of Interest (LOI) Notice Proposed Rents

- Tiered Rents: Also known as income bands. Households are placed into income tiers/bands. All households within a tier pay the same rent.
- Stepped Rents: Rent increases (or HAP decreases) over time according to a fixed schedule, regardless of income (except for hardship provisions).



Letters of Interest

HUD received 37 Letters of Interest from eligible PHAs.

- 8 PHAs have more than 6,000 total units.
- 20 PHAs listed the **Tiered Rent** as their first preference.
- 6 PHAs listed the **5% FMR Stepped Rent** as their first preference.
- 6 PHAs listed the **3% FMR Stepped Rent** as their first preference.
- 5 PHAs listed the **PHA-Proposed Policy** as their first preference.



Tiered Rent

- \$2,500 tiers. Households assigned to tiers based on adjusted income.
- Rent set equal to 30% of midpoint of the tier.
- Triennial recertifications.

Tier	Tier minimum	Tier maximum	Tiered rent
1	\$0	\$2,499	\$50
2	\$2,500	\$4,999	\$94
3	\$5,000	\$7,499	\$156
4	\$7,500	\$9,999	\$219
5	\$10,000	\$12,499	\$281
...



Poll: What do you think of the Tiered Rent?

- 1) Hate it
- 2) Don't like it
- 3) No opinion/Unsure
- 4) Like it
- 5) Love it



Stepped Rents based on FMR

Establishes a stepped rent schedule, by unit size and Fair Market Rent (FMR).

In year 1, households would be placed at a step corresponding to their income.

Each year thereafter, they advance to the next step.

Stepped Rent examples

Lexington, KY (current MTW agency)

2019 FMRs:

- Efficiency: \$617
- One bedroom: \$692
- Two bedroom: \$883
- Three bedroom: \$1,231
- Four bedroom: \$1,551



Step	FMR %	Efficiency	1 BR	2 BR	3 BR	4 BR
1	15%	\$93	\$104	\$132	\$185	\$233
2	20%	\$123	\$138	\$177	\$246	\$310
3	25%	\$154	\$173	\$221	\$308	\$388
4	30%	\$185	\$208	\$265	\$369	\$465
5	35%	\$216	\$242	\$309	\$431	\$543
6	40%	\$247	\$277	\$353	\$492	\$620
7	45%	\$278	\$311	\$397	\$554	\$698
8	50%	\$309	\$346	\$442	\$616	\$776
9	55%	\$339	\$381	\$486	\$677	\$853
10	60%	\$370	\$415	\$530	\$739	\$931
11	65%	\$401	\$450	\$574	\$800	\$1,008
12	70%	\$432	\$484	\$618	\$862	\$1,086
13	75%	\$463	\$519	\$662	\$923	\$1,163
14	80%	\$494	\$554	\$706	\$985	\$1,241
15	85%	\$524	\$588	\$751	\$1,046	\$1,318
16	90%	\$555	\$623	\$795	\$1,108	\$1,396
17	95%	\$586	\$657	\$839	\$1,169	\$1,473
18	100%	\$617	\$692	\$883	\$1,231	\$1,551

5% FMR Stepped Rent (example)

Step	FMR %	Efficiency	1 BR	2 BR	3 BR	4 BR
1	15%	\$93	\$104	\$132	\$185	\$233
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16	90%	\$555	\$623	\$795	\$1,108	\$1,396
17	95%	\$586	\$657	\$839	\$1,169	\$1,473
18	100%	\$617	\$692	\$883	\$1,231	\$1,551

5% FMR Stepped Rent (example)

Step	FMR %	Efficiency	1 BR	2 BR	3 BR	4 BR
1	8%	\$49	\$55	\$71	\$98	\$124
2	11%	\$68	\$76	\$97	\$135	\$171
3	14%	\$86	\$97	\$124	\$172	\$217
4	17%	\$105	\$118	\$150	\$209	\$264
5	20%	\$123	\$138	\$177	\$246	\$310
6	23%	\$142	\$159	\$203	\$283	\$357
7	26%	\$160	\$180	\$230	\$320	\$403
8	29%	\$179	\$201	\$256	\$357	\$450
9	32%	\$197	\$221	\$283	\$394	\$496
10	35%	\$216	\$242	\$309	\$431	\$543
11	38%	\$234	\$263	\$336	\$468	\$589
12	41%	\$253	\$284	\$362	\$505	\$636
13	44%	\$271	\$304	\$389	\$542	\$682
14	47%	\$290	\$325	\$415	\$579	\$729
15	50%	\$309	\$346	\$442	\$616	\$776
16	53%	\$327	\$367	\$468	\$652	\$822
17	56%	\$346	\$388	\$494	\$689	\$869
18	59%	\$364	\$408	\$521	\$726	\$915
19	62%	\$383	\$429	\$547	\$763	\$962
20	65%	\$401	\$450	\$574	\$800	\$1,008
21	68%	\$420	\$471	\$600	\$837	\$1,055
22	71%	\$438	\$491	\$627	\$874	\$1,101
23	74%	\$457	\$512	\$653	\$911	\$1,148
24	77%	\$475	\$533	\$680	\$948	\$1,194
25	80%	\$494	\$554	\$706	\$985	\$1,241

3% FMR Stepped Rent (example)

Poll: How well do you understand these two Stepped Rent policies?

- 1) Not at all
- 2) Somewhat
- 3) Very well



Poll: What do you think of the 5% FMR Stepped Rent?

- 1) Hate it
- 2) Don't like it
- 3) No opinion/Unsure
- 4) Like it
- 5) Love it



Poll: What do you think of the 3% FMR Stepped Rent?

- 1) Hate it
- 2) Don't like it
- 3) No opinion/Unsure
- 4) Like it
- 5) Love it



Stepped Rent Complications

- Tenant impacts.
- The Stepped Rent tables are large. Could be overwhelming.
- LOI Notice says the Stepped Rent schedule will be updated every 5 years. Could result in even larger rent increases.
- Should the rents be based on FMR? Or Small Area FMRs? Or payment standards?



Step	FMR %	Efficiency	1 BR	2 BR	3 BR	4 BR
1	15%	\$93	\$104	\$132	\$185	\$233
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What if get
rid of the
“stepped
rent table”?

... and
replace it
with this?

Annual rent
change.

FMR %	Efficiency	1 BR	2 BR	3 BR	4 BR
5%	\$31	\$35	\$44	\$62	\$78

Poll: Should we get rid of the stepped rent table and just specify the annual change?

- 1) Yes—get rid of the big table
- 2) No—keep the table
- 3) No opinion/Unsure



Size of the Annual Rent Change

The LOI Notice policies are very precise: rents increase by exactly 3% of FMR or 5% of FMR.

5% of 2-bedroom FMR for Lexington = \$44.15

But what about rounding? \$44.15 → \$44

What about even numbers? \$44 → \$40



Poll: Annual Rent Change—how much?

Think about a 2-bedroom unit. If you were choosing the annual rent change for your PHA, where would you set it?

- 1) No opinion—I am not interested in stepped rents
- 2) Between \$1 and \$40
- 3) Between \$41 and \$80
- 4) Between \$81 and \$120
- 5) Greater than \$120



Poll: Annual Rent Change—how much?

Now think about your PHA's 2-bedroom FMR. If you were choosing the annual rent change for your PHA, where would you set it, as a percentage of the FMR?

- 1) No opinion—I am not interested in stepped rents
- 2) Less than 3% of FMR
- 3) Between 3% and 5% of FMR
- 4) Greater than 5% of FMR



Updating the Stepped Rent

Should the rent steps be fixed for the study period?

- Would be simple and predictable

Or re-evaluated and updated (if needed) each year?

- Would enable you (the PHA) to respond to new information and changing conditions.



Poll: Updating the Annual Rent Change

Would you prefer to have the annual rent change fixed for the study period (6 years) or updated as needed?

- 1) No opinion—I am not interested in stepped rents
- 2) Fixed for 6 years
- 3) Re-evaluate and update each year
- 4) Other





Questions/
Comments on
Stepped Rents?

Measurement of Income—Prior Year

“Each household will be assigned to a tier based on its adjusted income in the prior year.”

- LOI Notice, page 16 (emphasis added)

Standard practice is to calculate *current income* – that is, the amount a household is making at the time of recertification, estimated for the upcoming year. (also referred to as “current/anticipated income”.)

A better approach might be to measure income as the amount a household made in the year prior to recertification. More accurate and harder to manipulate.



Measurement of Income—Adjusted

“Each household will be assigned to a tier based on its adjusted income in the prior year.”

- LOI Notice, page 16 (emphasis added)

Standard practice is to calculate adjusted income, including allowances/deductions.

“Gross income” might be simpler. But income exclusions would not be affected, and rent burden would increase for some families.



Poll: What do you think of “prior year” income?

- 1) Good idea; we’re willing to try it even though it’s different.
- 2) No opinion/not sure.
- 3) Bad idea; we’d prefer to stick with “current/anticipated” income



Poll: What do you think of “gross” income?

- 1) Good idea; we’re willing to try it even though it’s different.
- 2) No opinion/not sure.
- 3) Bad idea; we’d prefer to stick with “adjusted” income



Hardship policies—LOI Notice

“Full hardship” applies for all policies. Available if a family has a decrease in income, increase in expenses, and other situations at PHA discretion.

“Limited hardship” applies for stepped rents. A one-year rent freeze if the stepped rent would cause high rent burden. Available only once or twice.



Hardship policies—Stepped Rents

“A full hardship resets the household’s step level based on their actual income. For example, a household that is at step 6, but experiences job loss that reduces their income to \$0 resets to step 1. The next year they resume the step schedule, advancing to step 2.”

- LOI Notice, page 19

The full hardship provides a significant long-term benefit. But HUD-assisted families have incomes that go up and down—for example, \$12,000 in 2015, down to \$6,000 in 2016, back up to \$12,000 in 2017; then \$16,000 in 2018.

The limited hardship provides a one-year rent freeze. This may be *not generous enough*.



Triennial Reexaminations

In the LOI Notice, all three policies include triennial reexaminations. However:

- Under the Tiered Rent, the triennial reexamination will be used to set the rent.
- Under the Stepped Rents, the triennial reexamination would be used to verify eligibility, not to set the rent.

To prevent tenant hardships, should Stepped Rents also be reset at the triennial reexamination?



Alternative Hardship policy

Goal: provide temporary rent relief, but make it available multiple times.

Tiered Rent: If the household's income drops to a lower tier, they pay the lower tiered rent for 6 months.

Stepped Rent: If the household's rent burden exceeds 40% of current income, they pay 30% of current income for 6 months.

After 6 months, the hardship rent expires and rent would go back to what it was; but hardship rents can be renewed.



Poll: Triennial income reexaminations and hardships

Would triennial income reexaminations and 6-month renewable hardship rents provide adequate protection for tenants?

- 1) Yes
- 2) No
- 3) No opinion/not sure.



Poll: Triennial income reexaminations and hardships

Would triennial income reexaminations and 6-month renewable hardship rents result in a reasonable administrative burden for your PHA?

- 1) Yes
- 2) No
- 3) No opinion/not sure.



Poll: Triennial income reexaminations and hardships

In general, would triennial income reexaminations and 6-month renewable hardship rents balance PHA burden, tenant protection, and positive earnings incentives?

- 1) Yes
- 2) No
- 3) No opinion/not sure.





Questions/
Comments on
Hardships, Triennial
Reexams, and
measuring income?



OTHER
QUESTIONS?

Next Steps



Slides will be posted in the coming days.

If you have additional questions or comments, please email MTWcohort2@hud.gov

HUD leadership will consider possible changes. Final policies will be presented in the Selection Notice.

Applicants should go to www.hud.gov/mtw and click on the “Cohort 2 – Rent Reform” link for updates.