

Payment Standards

September 2020

Non-Moving to Work (MTW) agencies must use fair market rents (FMR) published by the Department to establish payment standards. Agencies use these payment standards to calculate the monthly housing assistance payment (HAP) for a family. The Department publishes FMRs for each market area in the United States at least annually. Agencies can establish payment standards that differ from the published FMR, as long as the level is between 90 and 110 percent. Agencies may establish a payment standard up to 120% of the published FMR if a reasonable accommodation is requested for a disabled family member. This is referred to as the basic range. Agencies must re-determine payment standards within three months of a published FMR if a change is necessary to stay in this basic range. The basic range requirement for published FMRs can create challenges for agencies.

The basic range requirement does not give non-MTW agencies the ability to address sub-markets in their area (unless the agency has opted to implement Small Area FMRs per Notice PIH 2018-01). The inability to address sub-markets can create two problems: increasing the concentration of low-income families in certain areas and limiting mobility for tenant-based voucher holders. The average rent in high poverty areas could be lower than the payment standard an agency must set based on the published FMR. This gives certain property owners an incentive to rent to tenant-based voucher holders increasing the population of low-income families in the area. Conversely, the average rent in a high opportunity area may be higher than the maximum payment standard an agency is permitted to set based on published FMRs. This makes it unlikely that owners in higher income areas would lease to tenant-based voucher holders.

More than half of current MTW agencies have implemented activities allowing them to use payment standards outside of the basic range to target certain high opportunity areas. This allows them to align subsidies with the local rental market, paying higher or lower HAPs in areas where the average rent is higher or lower than the basic range would permit. MTW agencies may define the area or sub-market based on neighborhoods, ZIP codes, or in another locally defined way. This MTW activity can make it easier for a tenant-based voucher holder to find a unit in competitive housing markets.

A payment standard policy that addresses the agency's local needs is just one way MTW agencies can support deconcentration efforts and increase housing choice for participants. However, it is important that MTW agencies implement rent reasonableness activities strategically, balancing higher and lower HAPs across the agencies' portfolio. Balancing payment standards for HAPs will help ensure that the MTW agency continues to assist substantially the same total number of eligible low-income families as would have been served without MTW flexibilities.

Authorizations

MTW Agencies Operating under the MTW Operations Notice:

2.a – Payment Standards – Small Area Fair Market Rents

2.b – Payment Standards – Fair Market Rents

Legacy Agencies under Attachment C of the Standard Agreement

D.2.a – Payment Standards

D.2.c – Reasonable Rent