

Calculating Rent and Housing Assistance Payments (HAP)

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1. Chapter Overview

The determination of the family's share of total housing costs and the PHA's housing assistance payment (HAP) is a two-step process. When the PHA issues a housing choice voucher, it is important for the PHA to give the applicant or participant information on the maximum amount the family is expected to contribute toward housing costs and the maximum subsidy that the PHA may pay. This information is essential for a family to search and select an appropriately priced home within the voucher term.

The PHA establishes payment standards by bedroom size. Payment standards are the maximum monthly assistance payment for a family assisted in the voucher program before deducting the total tenant payment by the family (for more information, see the Payment Standards chapter). The final calculation of the family's share of the housing costs and the HAP amount cannot be completed until the family has selected a unit, because the family has the option of selecting a unit with a rent that is more or less than the PHA payment standard.

2. Initial Calculations at Voucher Issuance

The following sections provide information on the various rent calculations that the PHA provides to applicants or participants at voucher issuance: 1) total tenant payment; 2) minimum rent; 3) gross rent; 4) maximum initial rent burden; 5) maximum subsidy; and 6) impact of unit selection on maximum subsidy.

When a family is selected to participate in the program, the PHA must¹ give the family a packet that includes information on how the PHA will determine the amount of the housing assistance payment, how the PHA determines payment standards for a family, how the PHA determines total tenant payment, and the maximum rent for an assisted unit. It is critical that families receive complete and accurate information on how the program works, and the variables that affect the amount the family will be required to contribute to its total housing costs.

2.1 Total Tenant Payment²

Total tenant payment (TTP) is the minimum amount the family will pay toward rent and utilities and is calculated using a statutory formula and family income information (see the Income Determination chapter). To calculate TTP, PHAs convert annual adjusted income and annual income to monthly adjusted income and monthly income, respectively, by dividing the annual figures by 12.

The TTP is the greater of:

- 30 percent of monthly adjusted income;
- 10 percent of monthly income;

¹ 24 CFR 982.301(b)(2) and(b)(3)

² 24 CFR 5.628

- welfare rent from a public agency (i.e., the part of welfare specifically designated to meet the family's actual housing costs, which is used in as-paid states only); or
- the PHA minimum rent (PHA determined, see Section 2.2 - Minimum Rent).

The highest of these four amounts (or three amounts, in non-as-paid states) is the family's TTP; the family will pay at least this amount toward the unit's gross rent (rent plus utilities). The family share is the portion of rent and utilities paid by the family. The family share will be higher than the TTP if the family's rent is prorated or the family leases a unit with a gross rent above the PHA's payment standard. In the following examples, different scenarios of TTP calculations are provided. Example 1 shows a scenario where the TTP is 30 percent of monthly adjusted income. Example 2 shows a scenario where the TTP is the minimum rent. Example 3 shows a scenario where the welfare rent is applicable.

Example 1: Calculating Total Tenant Payment – Monthly Adjusted Income	
30% of monthly adjusted income	\$700 x .30 = \$210
10% of monthly income	\$740 x .10 = \$74
Welfare rent (in as-is states)	N/A
PHA minimum rent	\$50
Total Tenant Payment (TTP)	\$210
The tenant will never pay less than the TTP regardless of the unit selected	

Example 2: Calculating Total Tenant Payment – Minimum Rent	
30% of monthly adjusted income	\$134 x .30 = \$40
10% of monthly income	\$174 x .10 = \$17
Welfare rent (in as-is states)	N/A
PHA minimum rent	\$50
Total Tenant Payment (TTP)	\$50
The tenant will never pay less than the TTP regardless of the unit selected	

Example 3: Calculating Total Tenant Payment – Welfare Rent	
30% of monthly adjusted income	\$134 x .30 = \$40
10% of monthly income	\$174 x .10 = \$17
Welfare rent (in as-is states)	\$65
PHA minimum rent	\$50
Total Tenant Payment (TTP)	\$65
The tenant will never pay less than the TTP regardless of the unit selected	

2.2 Minimum Rent

Minimum rent is the amount the PHA must³ charge a family, which is no less than the minimum monthly rent established by the PHA except in the case of financial hardship exemptions as described below.

³ 24 CFR 5.630(a)

PHAs are required⁴ to adopt a minimum rent which may be set anywhere from \$0 to \$50. The PHA's minimum rent is a minimum TTP and becomes a part of the TTP formula as shown in examples 1-3 above.

Exemptions from the Minimum Rent Requirement

If a PHA adopts a minimum rent greater than \$0, the PHA must⁵ adopt hardship exemption policies in their administrative plans. Families may not request a hardship exemption if the family is able to pay an amount greater than or equal to the PHA's minimum rent based on the PHA's calculation of TTP. Financial hardship includes circumstances in which families:

- Have lost eligibility or are awaiting an eligibility determination for a federal, state, or local assistance program, including a family that has a noncitizen household member lawfully admitted for permanent residence who would be entitled to public benefits but for Title IV of the Personal Responsibility and Work Opportunity Act of 1996, 8 U.S.C. §1601 et seq.;
- Would be evicted as a result of imposing the minimum rent requirement;
- Experience income decreases because of changed circumstances, including the loss of employment;
- Have a death in the family;
- Require a reasonable accommodation related to a family member's disability; or
- Have other circumstances as determined by the PHA or HUD, which must⁶ be defined in the administrative plan.

If a family requests a hardship exemption, the PHA must⁷ suspend the minimum rent requirement and adjust the HAP accordingly, effective on the first of the month following the family's request for the hardship exemption, continuing until the PHA determines whether there is a qualifying financial hardship and whether the hardship is temporary or long term. The financial hardship exemption only applies to payment of the minimum rent⁸ to calculate the total tenant payment⁹. The TTP is still calculated, excluding the minimum rent, and the family pays the higher of 30% of monthly adjusted income, 10% of monthly income, and the welfare rent, as applicable, during the term of the suspended minimum rent. Example 4 shows a sample calculation where the minimum rent has been suspended due to a hardship exemption but the family is still required to pay the \$40 TTP.

Example 4: Calculating Total Tenant Payment – Minimum Rent Suspension	
30% of monthly adjusted income	\$134 x .30 = \$40
10% of monthly income	\$174 x .10 = \$17
Welfare rent (in as-is states)	\$N/A
PHA minimum rent	\$50
Total Tenant Payment (TTP)	\$40
The tenant will never pay less than the TTP regardless of the unit selected	

⁴ 24 CFR 5.630

⁵ 24 CFR 5.630(b)(1)

⁶ 24 CFR 5.630(b)(1)

⁷ 24 CFR 5.630(b)(2)(ii)(a)

⁸ 24 CFR 5.628 and 5.630

⁹ 24 CFR 5.528

The PHA may request documentation to determine whether a qualifying hardship exists and must¹⁰ determine promptly if the hardship is temporary or long term. The PHA must¹¹ define temporary and long-term hardships in its administrative plan.

Sometimes a family requests a hardship exemption (for example, due to loss of a job) and it is not possible to predict whether the hardship will be temporary or long term. It may be necessary to approve a temporary exemption and re-determine the family's status at the end of the exemption term.

If the PHA determines there is no qualifying hardship, the minimum rent is reinstated retroactively to the date of the suspension. The family must¹² reimburse the PHA for the difference in charges during the suspension on terms and conditions established by the PHA.

If the PHA determines the qualifying hardship is temporary, the PHA suspends the minimum rent for a period of 90 days from the beginning of the month following the date of the family's request. At the end of the 90-day period, the PHA must¹³ reinstate the minimum rent retroactively to the date of suspension. The PHA must¹⁴ offer the family a reasonable repayment agreement, as determined by the PHA to cover the minimum rent charges accumulated during the suspension period.

If the PHA determines the qualifying hardship is long term, the PHA must¹⁵ exempt the family from the minimum rent requirements from the beginning of the month following the date of the family's request. The exemption continues until the hardship no longer exists. The family is not required¹⁶ to repay the difference between the TTP and the minimum rent to the PHA once the hardship is over.

Denial of a long-term hardship constitutes an adverse action and is subject to the PHA's informal hearing process.

When a family is selected to receive a voucher, the PHA must¹⁷ give the family a packet that includes the PHA's policy on hardship exemptions. The PHA must¹⁸ notify families of the right to request a minimum rent hardship exemption. Such notification must¹⁹ advise families that hardship exemptions are subject to the informal hearing process.

2.3 Gross Rent

The gross rent represents the entire housing cost.²⁰ It is calculated by adding the rent to the owner and the utility allowance for the unit. If all the utilities are included in the rent, the rent to the owner and the gross rent will be the same.

¹⁰ 24 CFR 5.630(b)(2)(ii)(b)

¹¹ 24 CFR 5.630(b)(1)

¹² 24 CFR 5.630(b)(2)(iii)(a)

¹³ 24 CFR 5.630(b)(2)(ii)(c)

¹⁴ 24 CFR 5.630(b)(2)(ii)(c)

¹⁵ 24 CFR 5.630(b)(2)(iii)(B)

¹⁶ 24 CFR 5.630(b)(2)(iii)(B)

¹⁷ 24 CFR 982.301(b)

¹⁸ 24 CFR 982.301(b)

¹⁹ 24 CFR 982.301(b)

²⁰ 24 CFR 982.4 and 982.517

In the example 5, a scenario is presented demonstrating the different components involved in helping families determine the maximum gross rent and the potential total tenant payment associated with different gross rent amounts. The maximum gross rent is calculated for a family to help them determine what the maximum amount of rent plus utilities they could select based on their maximum initial rent burden and the maximum subsidy the PHA can pay.

Example 5: Helping Family Determine Maximum Gross Rent Amount	
Total tenant payment (TTP)	\$210
Maximum initial rent burden	\$280
Payment standard	\$450
Maximum subsidy	\$240
TTP when the gross rent (rent + utilities) at or below the payment standard	\$210
TTP when the gross rent (rent + utilities) is higher than the payment standard	The family will pay between \$211 and \$240, the maximum initial rent burden allowed
Maximum gross rent for selected unit	The maximum gross rent is the maximum initial rent burden of \$280 plus the maximum subsidy the PHA can pay of \$240. In this example, the maximum gross rent is \$520.

2.4 Maximum Rent Burden at Initial Occupancy

When the PHA issues a housing choice voucher, it is important for the PHA to make sure the family understands the maximum rent burden calculation, the maximum amount the family is expected to contribute toward housing costs, and the maximum subsidy that the PHA may pay. This information is essential for a family to search for and select an appropriately priced home.

While a family may select a unit with a gross rent exceeding the PHA payment standard, the family should be aware that the PHA will not approve a unit for which the family share (the family rent to owner plus the utility allowance) would exceed 40 percent of the monthly adjusted income. Accordingly, the maximum rent burden at initial occupancy is also referred to as the maximum family share or “the 40 percent rule.” The maximum initial rent burden applies only when the gross rent for the unit selected exceeds the applicable payment standard. This maximum initial rent burden is applied each time a family moves to a new unit (initial occupancy of a new unit) or signs the first assisted lease for a unit if leasing in-place. The rule does not apply to changes in the family share after move-in, for example when the owner requests a rent increase. Example 6 shows a sample maximum initial rent burden calculation.

Example 6: Calculating Maximum Rent Burden at Initial Occupancy	
30% of monthly adjusted income	$\$700 \times .30 = \210
40% of monthly adjusted income	$\$740 \times .40 = \280
Maximum initial rent burden	\$280

2.4 Maximum Subsidy

The maximum subsidy the PHA can pay in the Housing Choice Voucher (HCV) program is the payment standard minus the TTP.²¹ The PHA performs the maximum subsidy calculation at the time the family is issued a housing choice voucher. It is important for the family to know the maximum the PHA will pay while searching for a unit. The actual PHA subsidy can be calculated only after the family has selected a specific unit. Example 7 shows a sample calculation of maximum subsidy.

Example 7: Calculating Maximum Subsidy		
Payment standard		\$450
Total tenant payment (TTP)	<i>minus</i>	\$210
Maximum subsidy	<i>equals</i>	\$240

2.6 Impact of Unit Size Selection on Subsidy

When a family is issued a voucher, they may select a larger or smaller unit than the family unit size listed on their voucher. If the family selects a unit with a different number of bedrooms than the family unit size listed on the voucher, the PHA must²² apply the payment standard and utility allowance for the smaller of the family unit size listed on the family's voucher or the unit size selected by the family.

3. Calculations Completed Following Unit Selection

3.1 Housing Assistance Payment (HAP)

The actual HAP can be calculated only after the family has selected a unit and the gross rent for the unit is known. The HAP cannot exceed the maximum subsidy calculated but may be less than the maximum subsidy if the gross rent for the unit is less than the payment standard amount. The HAP is the lower of:

- The payment standard for the family minus the TTP, or
- The gross rent minus the TTP.

The PHA pays the owner HAP based on this calculation; however, if the HAP amount exceeds the rent to owner, the PHA does not pay the owner HAP above the rent to owner amount. Instead, the PHA pays the excess to either the utility provider or the family as a utility reimbursement payment, as outlined in the PHA's Administrative Plan.

Example 8 shows a sample HAP calculation when the gross rent is at or below the payment standard. Example 9 shows a sample HAP calculation when the gross rent exceeds the payment standard.

²¹ 24 CFR 982.505(b)

²² 24 CFR 982.505(c)(1)

Example 8: Calculating HAP when Gross Rent is at or Below Payment Standard	
Payment standard	\$450
TTP	\$210
Gross rent for selected unit	\$425
<p>HAP is the lower of</p> <p><i>Payment standard (\$450) minus TTP (\$210) = \$240</i></p> <p style="text-align: center;"><i>or</i></p> <p><i>Gross rent (\$425) minus TTP (\$210) = \$215</i></p>	
HAP is \$215	

Example 9: Calculating HAP When Gross Rent Exceeds the Payment Standard	
Payment standard	\$450
TTP	\$210
Gross rent for selected unit	\$500
<p>HAP is the lower of</p> <p><i>Payment standard (\$450) minus TTP (\$210) = \$240</i></p> <p style="text-align: center;"><i>or</i></p> <p><i>Gross rent (\$500) minus TTP (\$210) = \$290</i></p>	
HAP is \$240	

3.2 Family Share

The family share is the family's contribution toward the gross rent. It is the family's portion of the rent to owner plus the applicable utility allowance for the unit, if any. The family share may be the TTP or a higher amount, depending on the unit the family selects. For a family leasing a unit with a gross rent at or below the payment standard, the family share will equal the TTP.

The family share is calculated by subtracting the HAP paid by the PHA from the gross rent. As explained in Section 2.4 - Maximum Rent Burden at Initial Occupancy, the family share must²³ not exceed 40 percent of the family's monthly adjusted income when the family initially moves into the unit or signs the first assisted lease for a unit.

Although it is important for families to understand this concept while searching for housing, the family share cannot be calculated until a unit is selected.

²³ 24 CFR 982.508

3.3 Family Rent to Owner

The family rent to owner is the portion of the rent to owner that is paid by the family. Family rent to owner is calculated by subtracting the HAP from the rent to the owner. If the family is not responsible for paying any utilities under the lease, family rent to owner will equal family share. Where families are responsible for directly paying some or all of the utilities, family rent to owner will be less than the family share. Sometimes, the calculation of family rent to owner may result in a negative amount, in which case the family rent to owner is zero, and there will be a utility reimbursement as described in Section 3.4 - Utility Reimbursement.

Example 10 shows a sample calculation of the family rent to owner when the rent includes all utilities. Example 11 shows a sample calculation when the family pays some or all utilities.

Example 10: Calculating Family Rent to Owner When Rent Includes All Utilities		
Rent to owner		\$425
<i>plus</i> utility allowance	+	\$0
Gross rent	=	\$425
<i>less</i> HAP	-	\$215
Family share	=	\$210
Less utility allowance	-	\$0
Family rent to owner	=	\$210

Example 11: Calculating Family Rent to Owner When Family Pays Some or All Utilities		
Rent to owner		\$300
<i>plus</i> utility allowance	+	\$125
Gross rent	=	\$425
<i>less</i> HAP	-	\$215
Family share	=	\$210
Less utility allowance	-	\$125
Family rent to owner	=	\$85

3.4 Utility Reimbursement

The amount of the utility reimbursement is the amount by which the HAP exceeds the rent to the owner. When there is a utility reimbursement, the PHA pays the full amount of the rent to the owner and sends the utility reimbursement either to the family or the utility company. If the PHA elects to

pay the utility supplier directly, the PHA must²⁴ notify the family of the amount paid to the utility supplier.

PHAs are allowed to make utility reimbursement payments quarterly, rather than monthly, if the total quarterly reimbursement payment due to a family is equal to or less than \$45 per quarter. PHAs may make reimbursement payments retroactively or prospectively. A PHA that chooses to make reimbursement payments retroactively, must permit a family to request a hardship exemption. If a family receives a hardship exemption, then the PHA may either reimburse the family on a monthly basis or it may make *prospective* payments to the family, on a quarterly basis.

Upon admission to the program or at recertification, the staff person completing Form HUD-50058 will note whether the utility reimbursement is \$15 per month or less. If it is, then the PHA must²⁵ inform the family whether reimbursement will be retroactive or prospective on a quarterly basis. If the PHA's policy is to reimburse retroactively, then the PHA must also inform the family that they may request a hardship exemption. If the family requests and receives a hardship exemption, then the PHA may either reimburse the family on a monthly basis or it may make prospective payments on a quarterly basis.

Example 12 shows a sample utility reimbursement calculation for when the tenant pays some of the utilities.

Example 12: Calculating Family Rent to Owner When Family Pays Some or All Utilities			
Rent to owner			\$425
<i>plus</i> utility allowance	+		\$150
Gross rent	=		\$575
Family share	=		\$100
Family rent to owner	=		\$0
Utility Allowance reimbursement to family	=		\$50

3.5 Prorated Assistance

For mixed families that include both members who are citizens or have eligible immigration status and members who do not have eligible immigration status (or elect not to state that they have eligible status), assistance is prorated based on the number of household members who are citizens or eligible immigrants in relation to the total number of members in the family.²⁶ See the Eligibility and Denial of Assistance chapter for a discussion of citizenship status.

²⁴ 24 CFR 982.514(b)

²⁵ PIH Notice 2016-05

²⁶ 24 CFR 5.508

Calculations of total annual income, adjusted income and TTP are identical for mixed families, including those who do not have eligible immigration status or do not contend eligible status.

In order to calculate the prorated HAP and the resulting family share, the PHA must²⁷ follow these steps:

1. Determine gross rent (rent to owner plus utilities) for the unit;
2. Determine the HAP amount, taking into consideration the income of all family members;
3. Determine the proration factor by dividing the number of eligible family members (citizens and those with eligible immigration status) by the total number of members in the family;
4. Multiply the HAP amount calculated in Step 2 by the proration factor calculated in Step 3 to determine the prorated HAP; and
5. Subtract the prorated HAP (Step 4) from gross rent (Step 1) to determine the family share.

Example 13 shows a sample utility reimbursement calculation for when the tenant pays some of the utilities.

Example 13: Calculating Prorated HAP and Family Share	
Gross rent	\$550
Payment standard	\$600
TTP based on all household income	\$250
Family size	4
Number of ineligible noncitizens	1
HAP is the lower of <i>Payment standard (\$600) minus TTP (\$250) or</i> <i>Gross rent (\$550) minus TTP (\$250)</i>	
HAP is \$300, before proration	
Proration factor	3 eligible family members of 4 members = $\frac{3}{4}$ or .75
Prorated HAP	HAP before proration (\$300) \times proration factor (.75) = \$225
Family share	Gross rent (\$550) – Prorated HAP (\$225) = \$325

There is no exception to the statutory maximum initial rent burden (described in Section 2.3 - Maximum Rent Burden at Initial Occupancy) for mixed families. Accordingly, the PHA will not approve a unit for which family share would exceed 40 percent of monthly adjusted income.

²⁷ 24 CFR 5.20(c)

4. Glossary

The following terms are used in this chapter:

Family Rent to Owner, in the voucher program, is the portion of rent to owner paid by the family.

Family Share is the portion of rent and utilities paid by the family.

Family Unit Size means the appropriate number of bedrooms for a family, as determined by the PHA under the PHA subsidy standards.

Gross Rent is the entire housing cost and is calculated by adding the rent to the owner and the utility allowance for the unit. Note: If all the utilities are included in the rent, the rent to the owner and the gross rent will be the same.

Housing Assistance Payment (HAP) is the monthly assistance payment by a PHA and is calculated as the lower of: 1) the payment standard for the family minus the total tenant payment (TTP); or 2) the gross rent minus the TTP.

Maximum Initial Rent Burden, also known as the Maximum Family Share or “The 40 Percent Rule”, means the maximum rent burden at initial occupancy (when the family initially moves into the unit or signs the first assisted lease for a unit). The family may pay the total tenant payment plus the amount by which the gross rent for the unit selected exceeds the applicable payment standard so long as the resulting family share does not exceed 40 percent of the family’s monthly adjusted income.

Maximum Subsidy means the maximum amount of subsidy that the PHA can pay for a participant in the HCV program and is calculated as the payment standard minus the total tenant payment (TTP).

Minimum Rent is the PHA-determined minimum TTP amount. The minimum rent is the least a family will contribute toward rent and utilities. The PHA can set the minimum rent anywhere from \$0 to \$50.

Monthly Adjusted Income means one twelfth of adjusted income.

Monthly Income means one twelfth of annual income.

Noncitizen means a person who is neither a citizen nor national of the United States.

Payment Standard is the maximum monthly assistance payment for a family assisted in the voucher program (before deducting the total tenant payment by the family).

Prorated Assistance means, for families that include both members who are citizens or have eligible immigration status and members who do not have eligible immigration status (or elect not to state that they have eligibility), the amount of assistance is prorated based on the percentage of household members who are citizens or have established eligible immigration status.

Rent to Owner is the total monthly rent payable to the owner under the lease for the unit. Rent to owner covers payment for any housing services, maintenance and utilities that the owner is required to provide and pay for.

Total Tenant Payment (TTP) is the minimum family contribution to the gross rent and is calculated as the greater of: 1) 30 percent of monthly adjusted income; 2) 10 percent of monthly income; 3) the welfare rent (in as-paid states only); or 4) the PHA minimum rent.

Utility Allowance means, if the cost of utilities (except telephone) and other housing services for an assisted unit is not included in the tenant rent but is the responsibility of the family occupying the unit, an amount equal to the estimate made or approved by a PHA or HUD of the monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances consistent with the requirements of a safe, sanitary, and healthful living environment.

Utility Reimbursement is the portion of the housing assistance payment which exceeds the amount of the rent to owner.

Welfare Assistance means welfare or other payments to families or individuals, based on need, that are made under programs funded, separately or jointly, by Federal, State or local governments (including assistance provided under the Temporary Assistance for Needy Families (TANF) program, as that term is defined under the implementing regulations issued by the Department of Health and Human Services at 45 C.F.R. §260.31).

Welfare Rent means the portion of welfare assistance specifically designated to meet the family's actual housing costs.