Office of Housing Voucher Programs

Implementation of 2009 Appropriations
Housing Choice Voucher Program

May 5, 2009

CY 2009 HAP and Admin Fee Funding

- Public Law 111-8, enacted March 11, 2009
- URL: http://thomas.loc.gov/home/prop/app09.html
- Prior to the Act, HUD was funded via two Continuing Resolutions
  – Provided funding at 2008 appropriated level
  – Continued 2008 appropriations requirements
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**HAP Funding - Appropriations**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
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</thead>
<tbody>
<tr>
<td>Total Renewal</td>
<td>$15,034,071,000</td>
<td>$14,694,508,000</td>
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<tr>
<td>Set-Aside (deduct)</td>
<td>$100,000,000</td>
<td>$50,000,000</td>
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<tr>
<td>Offset (deduct)</td>
<td>$750,000,000</td>
<td>$723,257,000</td>
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<td>Budget Authority</td>
<td>$14,184,071,000</td>
<td>$13,921,249,000</td>
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**HAP Funding - Provisions**

- Re-benchmarking, based on FFY 2008 validated cost data from VMS
  - October 2007 thru September 2008
- Including HAP After the 1st
- Deduction at average per unit cost for over-leased unit months

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**HAP Funding - Provisions**

- Adjustments for 1st time renewal of HOPE VI, tenant protection and incremental vouchers
  - To provide 12 months of funding for new units
  - Funding consists of initial funding, costs from VMS, and additional months at initial funding rate or VMS actual
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HAP Funding - Provisions

• Example: TP increment, term April 1, 2008 thru March 31, 2009
• 2009 funding consists of:
  – Original Funding 1/09 thru 3/09 3 mo
  – Funding based on VMS for 7/08 to 9/08 3 mo
  – Funding to cover lease-up period of 4/08 thru 6/08 3 mo
  – Funding for months not covered above 3 mo

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HAP Funding - Provisions

• Adjustment for deposits to participants’ FSS escrow accounts
  – Data from PIC – participants and monthly deposit amounts
  – Based on October 2008 thru March 2009 new accounts, doubled to cover 12 months
  – Prior escrows are already in the re-benchmarking expenses

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HAP Funding - Provisions

• Adjustments for transfers in or out of the PHA’s program
• Note: Additional adjustments have been moved to the set-aside provisions
• 2009 AAF applied
  – Will apply a factor of 125% to account for time lag between end of re-benchmarking period and start of funding period
HAP Funding - Provisions

• Result is PHA's eligibility
• Based on total national eligibility and appropriated amount, a pro-ration factor is set and applied to all PHAs' eligibility to determine pro-rated eligibility
• Mandatory NRA offset is deducted from pro-rated eligibility for each affected PHA

HAP Funding - Provisions

• NRA Offset Provisions
  Set forth in Appropriations language and expanded in Joint Explanatory statement
  No mandated formula as in 2008
  Offsets to be based on NRA calculations as of 12/31/2008
  Consideration to be given to small programs, PHA performance and level of NRA

HAP Funding - Provisions

• NRA Offset Calculations
  Based on re-validated VMS data, all PHA NRA balances are updated to 12/31/2008
  • NRA balances of divested programs are transferred to the receiving PHA
  • Total NRA divided into Usable NRA and Unusable NRA
  • Usable NRA = Amount of the total that would be required for the PHA to reach 100% allocation of baseline unit months
  • Unusable NRA = Difference between Total NRA and Usable NRA
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HAP Funding - Provisions

• NRA Offset Calculations
  – PHAs with Voucher programs of 250 or fewer baseline units in CY 2008 are excluded
  – Remaining PHAs are divided into three groups, based on CY 2008 utilization:
    • 96% Plus Utilization
    • 88% to Less Than 96% Utilization
    • Below 88% Utilization
  – Utilization is calculated for both baseline units and Budget Authority (including 2008 offset)

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HAP Funding - Provisions

• NRA Offset Calculations
  – 96% Utilized = An HA that utilized 96% or more of its baseline vouchers or 96% or more of its Budget Authority (including offset) in CY 2008
  – 88% to less than 96% Utilized = An HA that utilized less than 96% of its baseline vouchers and less than 96% of its Budget Authority (including offset) in CY 2008, but did utilize 88% or more of baseline vouchers or BA

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HAP Funding - Provisions

• NRA Offset Calculations
  – Less than 88% Utilized = An HA that utilized less than 88% of its baseline vouchers AND less than 88% of its BA
HAP Funding - Provisions

- NRA Offset Calculations
  - 96% Plus Utilized Programs:
    • Unusable NRA will be subject to offset to the extent that the balance exceeds 4.5% of the PHA's CY 2008 pro-rated renewal eligibility
    • 35% of usable NRA will be subject to offset
    • Calculated offset subject to adjustment based on December 2008 leasing

- 88% to less than 96% Utilized Programs:
  • Unusable NRA will be subject to offset to the extent that the balance exceeds 2.5% of the PHA's CY 2008 pro-rated renewal eligibility
  • 40% of usable NRA will be subject to offset
  • Calculated offset subject to adjustment based on December 2008 leasing

- Less than 88% Utilized Programs
  • All unusable NRA will be subject to offset
  • 50% of usable NRA will be subject to offset
  • Calculated offset subject to adjustment based on December 2008 leasing
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HAP Funding - Provisions

- NRA Offset Calculations
  - NRA calculated to remain with the PHA will be compared to the NRA required for the PHA to maintain its December 2008 leasing expenses, annualized and inflated
  - NRA offset will be limited to the amount not required to maintain the December leasing expenses

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NRA Offset Calculations – Example 1

HA utilization at or above 96% on one or both measures
No adjustment to the offset is required to support December leasing costs
Calculated offset per the usable and unusable NRA balances (245,443) is less than the maximum offset available if December leasing is to be maintained (312,800)
PHA should be able to increase leasing in CY2009, based on retained NRA

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NRA Offset Calculations – Example 2

HA utilization below 96% on both measures, but at or above 88% on one or both measures
No adjustment to the offset is required to support December leasing costs
Calculated offset per the usable and unusable NRA balances (293,449) is less than the maximum offset available if December leasing is to be maintained (323,300)
PHA should be able to increase leasing in CY2009, based on retained NRA

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NRA Offset Calculations – Example 3

- HA utilization below 96% on both measures, but at or above 88% on one or both measures
- Adjustment to the offset amount is required to support December leasing costs
  - Calculated offset per the usable and unusable NRA balances (293,449) is more than the maximum offset available if December leasing is to be maintained (91,000)
  - Reduced offset results in an increase in new Budget Authority provided; does not change eligibility

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HAP Funding - Provisions

- MTW Agencies
  - Funded per the terms of the PHAs’ individual agreements
  - Pro-rated at same percentage as all other PHAs
  - NRA associated with Voucher units not covered by MTW agreement is subject to offset

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HAP Funding - Process

- 60 day completion requirement per appropriations act (May 10)
- VMS data has been re-validated – no further changes for funding or NRA except by HUD direction
  - 2005 thru 2007 will not change
- Funding allocation, NRA, and offset calculations will be provided to each PHA
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HAP Funding - Process
• Disbursements thru May based on estimates, per 2008 eligibility
• Front load funding is an advance disbursement of eligibility, not additional eligibility

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HAP Funding - Process
• Once allocations are established –
  – Under-disbursements made up in first payment or a special payment
  – Excess disbursements recouped via reduced payments for balance of CY
  – Required offsets will be applied from first available month thru October 1

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HAP Funding - Process
• 2008 VASH increments all effective May 1, 2008 thru April 30, 2009
• VASH vouchers and funds, leasing and costs, all maintained separately in accounting and VMS reporting
• VASH vouchers will be renewed separate from the main Voucher program
• VASH NRA will support VASH vouchers only and will not be subject to offset
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HAP – Use of Funds

- 2009 HAP funds, same as 2005 thru 2008, may only be used for eligible HAP expenses for unit months up to baseline
  - Rental or homeownership subsidy payments
  - Utility reimbursements
  - FSS escrow deposits

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HAP – Use of Funds

- Eligible uses are the same as when HUD held excess funds in the program reserve
- Only difference: where the funds are held – PHA – and they can be used for eligible costs without requesting HUD approval
- Any portion remaining at year’s end must be deposited to the NRA

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HAP – Use of Funds

- Interest earned on investment of NRA funds accrues as program receipts – belongs to the program
- HAP funds may not be used for prior year deficits or any other purpose, including
  - Administrative costs
  - Public housing expenses
  - Other housing expenses
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HAP – Use of Funds

- Any funds which have been used for other purposes or transferred out of the NRA must be returned – no exceptions
- HUD’s calculation of NRA balances assumes all HAP funds provided were used for eligible HAP purposes and reported in VMS or are in the NRA

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Tenant Protection Funds - Provisions

- $150,000,000 for all purposes
- Eligible for PH demolition/disposition, multifamily conversions, Mod Rehab replacements; Section 202 re-financing
- Vouchers provided for all units occupied during previous 24 months that cease to be available as assisted housing
- HUD may continue the use of NRA funds in lieu of new budget authority for TP actions

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Admin Fee Funding - Appropriations

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<td>Total Fees</td>
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<td>1,351,000,000</td>
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<td>Renewal Minimum</td>
<td>1,400,000,000</td>
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<td>Set-Aside</td>
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<tr>
<td>Family Self-Sufficiency</td>
<td>50,000,000</td>
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Administrative Fee Funding - Provisions

• Fees based on provisions of section 8(q) of the Act, as it existed immediately prior to QHWRA
• Same provisions as in 2008 – fee eligibility based on first of month leasing for all vouchers and on 2009 fee rates

Fee rate schedules posted at:
Fees will be pro-rated as needed to stay within appropriation

• Rates initially based on 2 BR Fair Market Rent – higher of 1993 or 1994, not to exceed 103.5% of 1993 – subject to floor and ceiling
• Base numbers are updated annually using Bureau of Labor Statistics data on average local government wages at state metro and non-metro areas
• Fee provisions apply to all vouchers – renewal, incremental, tenant protection, VASH
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Administrative Fee Funding - Provisions

- Fee set-aside of $5 million will be used for:
  - Homeownership incentive fees
  - One time special fees for Housing conversion tenant protection actions ($200 per occupied unit)
  - Program specific audits as required

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Administrative Fee Funding – Process

- Fees advanced CY 2009 to date based on latest VMS data when begun (2nd quarter 2008)
- Fees advanced do not equal eligibility or fees earned – just an estimate
- Fees will continue to be advanced based on leasing data – as it updates
- Fees will be reconciled monthly as actual leasing data is received

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Administrative Fee Funding – Process

- Higher Rates
  - PHAs must request and justify
  - Year-end reconciliation to determine break-even amount
- Blended Rates
  - PHA must request; no justification required
  - Based on location of participants per PIC
  - No reconciliation required
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Family Self-Sufficiency Coordinators

• $50,000,000
• No NOFA for 2009 – FSS funds will be distributed based on formula
• Process should reduce the time lag to awarding of fees

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HAP Funds Set-Aside - Provisions

• Expanded in 2009 to reduce impact on the renewal formula
• Eligible Uses:
  – To adjust allocations for PHAs that experienced a significant increase in renewal costs, resulting from unforeseen circumstances or portability under section 8(r)

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HAP Funds Set-Aside - Provisions

• Eligible Uses:
  – To adjust allocations for PHAs with leasing rates at the end of CY 2008 that exceed the average leasing for the 12-month re-benchmarking period
  – To adjust for costs associated with VASH vouchers
  – To adjust for vouchers not in use during the 12 months in order to be available to meet a commitment under section 8(o)(13) – project-based vouchers
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HAP Funds Set-Aside - Process

- Exact procedures and application formats will be provided in the 2009 implementation notice
- PHAs will be required to apply for each category and provide the documentation required
  - Portability – no documentation – HUD will determine eligibility based on PIC

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HAP Funds Set-Aside - Process

- Additional leasing – no documentation – HUD will determine eligibility based on leasing per VMS
- Unforeseen circumstances – full justification and calculation of proposed needs
- VASH – justification and calculation of proposed needs
- Project-based vouchers – copies of AHAPs and certification of number of vouchers held from leasing each month

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2009 Incremental Funding

- VASH - $75,000,000
- Non-Elderly Disabled - $30,000,000
- Family Unification - $20,000,000
- Not subject to NOFA process – will take non-elderly and FUP applications through a Federal Register notice to be published spring/summer
  - Faster awards anticipated
- All categories have language requiring continued use upon turnover
Managing HAP Funds

• PHAs must monitor leasing and HAP costs
  – Ensure effective use of BA and NRA funds
  – Ensure current leasing levels can be supported within funds available and known attrition

HUD cannot provide additional funds to PHAs that overspend
HUD does not fund 100% of baseline units, but allocates funds based on the re-benchmark period alone

Managing HAP Funds

• Track monthly and YTD leasing and costs as compared to unit months and Budget Authority available
• Project unit months and BA available for the balance of the year and adjust program activities accordingly
• Example

Managing HAP Funds

• Conclusions:
  – PUC is fluctuating month to month and should be watched for impact on overall spending
  – PHA is generating excess – NRA balance has increased since start of year
  – PHA can increase utilization of unit months and BA for the remaining 3 months
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Voucher Management System

• Re-validation project has been completed by PHAs – Thank You!
• Data reviewed for gross discrepancies preparatory to use for 2008 NRA calculations, remaining 2008 fees (4th quarter and adjustments) and 2009 funding
  – Outlying data has been revised
  – Data has been inserted for missing months

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Voucher Management System

• Why did we re-validate?:
  – Significant offset was anticipated for 2009 funding, making accurate NRA balances critical
  – NRA balances previously updated quarterly to add new data, but prior period data not adjusted for changes
  – On-line edits now enable HUD to validate any revised data as it is submitted

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Voucher Management System

• Why did we re-validate?:
  – Gave every PHA the opportunity to ensure HUD used their correct data
  – HUD is using this database to calculate:
    • 2009 benchmark for funding (FY 2008)
    • 2009 offset (FY 2008)
  – In the future, PHAs can update prior periods, but except in unusual cases, HUD will not change values for the NRA from 2005 thru 2007
Voucher Management System

• April 2009 Software Release
  – Edits added for FUP
  – Tenant Protection file updated to reflect all actions
  – Errors in formatting numbers (‐,#, etc) will all highlight at once
  – System will flag new fields
  – Leasing and Unit Expense report has been pulled for revising and re-introduction in September
  – Phone extension now accept up to 6 characters

Voucher Management System

• April 2009 Software Release
  – “Last Updated Field” will show “Revised” when a record is changed and saved
  – When submission is complete with a pending hard edit, message will say “Voucher data successfully submitted; FA approval required”
  – No new fields
  – VASH UMLs added to UML Total
  – VASH and HAP After the First of the Month added to HAP Total

NRA Reconciliation Project

• To reconcile differences between values calculated from funding records and VMS to values reported by PHAs in FASS
  – Values should be reasonably close – many are not
  – Adjust for different reporting and calculation requirements
  – All PHAs will be included – 400 in the initial phase
Legislation and Regulations

- Revised regulations at Section 982 (Voucher rule) and Section 985 (SEMAP) were withdrawn from OMB review.
- Current plan to re-submit SEMAP rule for OMB clearance this spring
- HUD continues to advocate for a predictable, transparent funding renewal formula

Legislation and Regulations

- Housing and Economic Recovery Act (PL 110-289) – 7/30/2008 - HERA
  - Federal Register guidance on 11/24/2008
  - Main points apply to project-based vouchers:
    - HAP term extended from 10 to 15 years, with 15 year renewal
    - No subsidy layering review for existing housing

Legislation and Regulations

- HERA - Main points apply to project-based vouchers:
  - Old requirement: “no more than 25% of dwelling units in any building may be assisted under a HAP for PBV”
  - New requirement: “no more than 25% of the dwelling units in a project may be assisted under a HAP for PBV” – project means single building, multiple contiguous buildings or multiple buildings on contiguous parcels
Questions after the broadcast may be submitted to:

PIH.Financial.Management.Division@HUD.GOV