



Department of Housing and Urban Development
Public and Indian Housing

Special Attention:

Section 8 Public Housing Agencies;
Public Housing Field Office Directors;
Troubled Agency Recovery Center Directors

Notice PIH 2001-1 (PHA)

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Cross References:

24 CFR Part 985
Notice PIH 2000-34

Subject: Guidance for Implementation of the October 2, 2000
Interim Rule on Increased Fair Market Rents (FMRs)
and Higher Payment Standards for Certain Areas

1. Purpose This notice provides guidance for implementation of the Department's October 2, 2000 rule which establishes a new policy on increased payment standards for the housing choice voucher program.

2. Applicability This notice applies only to the housing choice voucher program.

3. Summary of new payment standard policy The new payment standard policy incorporates two targeted approaches to provide relief from the constraints of the 40th percentile FMR to expand housing opportunities and to help voucher holders successfully lease housing:

Setting FMRs at the 50th percentile rent to provide a broad range of housing opportunities: The new policy increases the HUD-published FMRs to the 50th percentile rent, for at least three years, in certain metropolitan FMR areas that contain at least 100 census tracts. Attachment 1 of this notice is a list of the 39 metropolitan FMR areas that initially qualify for the 50th percentile FMR upon HUD publication in the Federal Register of the final 50th percentile FMRs. The metropolitan FMR areas that qualify for the 50th percentile FMR are those where relatively few census tracts have a significant number of rental units with gross rents at or below the 40th percentile FMR, and where voucher program participants are relatively concentrated.

HUD approval of "success rate payment standard amounts": In addition, the new payment standard policy allows any PHA that is not in an area covered by a new 50th percentile FMR to request HUD approval of higher "success rate payment standard amounts" based on the 50th percentile rent, if the PHA has both (1) established its payment standards at 110 percent of the 40th percentile FMR for a period of at least six months, and (2) established a policy of granting automatic extensions of

voucher terms to at least 90 days; but, notwithstanding these actions, the PHA still has less than a 75 percent voucher holder success rate in finding and leasing units.

4. Effective date of the new rule The interim rule on the new payment standard policy takes effect December 1, 2000. A PHA with jurisdiction in a qualified metropolitan FMR area may begin to set its payment standards based on the new higher FMRs when HUD publishes final 50th percentile FMRs for effect in accordance with the new rule.

5. Notice of proposed FY 2001 FMRs at the 50th percentile rent to provide a broad range of housing opportunities The notice of proposed fiscal year 2001 FMRs at the 50th percentile rent for the housing choice voucher program was published on October 6, 2000. Comments on the proposed FMRs were due November 6, 2000. HUD expects to publish the final 2001 FMRs at the 50th percentile rent for the 39 qualified FMR areas in early January 2001, for effect upon publication. When the new 50th percentile FMRs take effect, a PHA with jurisdiction in an FMR area with 50th percentile FMRs must establish its payment standards based on the new FMRs.

6. Payment standard schedules for PHAs with jurisdiction in the 39 metropolitan FMR areas with HUD-published FMRs at the 50th percentile rent Upon the effective date of the final FMRs at the 50th percentile rent, PHAs with jurisdiction in the 39 qualified metropolitan FMR areas must establish payment standard schedules with payment standard amounts between 90 percent and 110 percent of the new FMR. HUD approval is not required to establish payment standard amounts in that basic range. If a PHA sets its payment standard amounts above 100 percent of the new FMR, it will be subject to a new SEMAP performance standard (see paragraph 7.). If a PHA sets its payment standard amounts between 90 and 100 percent of the new FMR, it will not be subject to the new SEMAP standard.

7. New SEMAP performance standard when a PHA sets its payment standards based on the new 50th percentile FMR to provide a broad range of housing opportunities The interim rule amends the SEMAP rule to provide that, if a PHA in a qualified metropolitan FMR area sets a payment standard amount at more than 100 percent of the 50th percentile FMR, the SEMAP deconcentration bonus indicator will become mandatory for the PHA in the second full PHA fiscal year that follows the date of initial use of the payment standard amount based on the 50th percentile FMR.

8. Requesting HUD approval of success rate payment standard amounts A PHA that is not in an area covered by the new 50th percentile FMR policy, but that has low voucher holder success at leasing units may request HUD approval to use higher payment standards based on the 50th percentile rent for one or

more unit sizes if the PHA supplies the following data to the HUD field office:

- A. Data demonstrating that during the most recent six month period for which the PHA has compiled data, less than 75 percent of applicants to whom the PHA issued vouchers were successful at leasing a unit with voucher assistance;
- B. A certification that the PHA has set its payment standard amounts for all unit sizes in the entire PHA jurisdiction at 110 percent of published 40th percentile FMR for at least the most recent six month period for which the PHA has success rate data and up to the time the request for approval of success rate payment standard amounts is made to HUD;
- C. A certification that the PHA has a policy of granting automatic extensions of voucher terms to at least 90 days for any applicant who has been issued a voucher and who is making an effort to find housing; and
- D. A certification that the PHA reports each of its voucher applicants to whom it issues a voucher and each voucher expiration (when the applicant is not successful in leasing a unit) to MTCS as required on form HUD-50058.
- E. Special instructions for State and regional PHAs A State or regional PHA may seek approval to use success rate payment standard amounts in only a particular place, county or FMR area in its jurisdiction where voucher holders are having difficulty leasing units. The State or regional PHA must supply the data in items A. through D. only pertaining to the particular area(s) for which it asks to use success rate payment standards.

Attachment 2 of this notice is a sample format for a PHA to request HUD approval of success rate payment standard amounts.

When a PHA submits a request for approval of success rate payment standard amounts, the public housing director in the HUD field office will approve use of "success rate payment standard amounts" based on the 50th percentile rent as determined by the Economic and Market Analysis Division in the HUD Office of Policy Development and Research. A success rate payment standard amount is defined as any amount between 90 percent and 110 percent of the 50th percentile rent. The 50th percentile rents to be used as the basis for approved "success rate payment standard amounts" will be posted on the PD&R HUD User web site at <http://www.huduser.org/datasets/pdrdatas.html>. A HUD field office may disapprove a PHA's request for approval of success

rate payment standard amounts if warranted due to a SEMAP overall performance rating of troubled or if the PHA's SEMAP certification indicates a serious PHA performance problem.

9. New SEMAP performance standard when a PHA obtains HUD approval of success rate payment standard amounts

A. New SEMAP indicator for success rate of voucher holders

The interim rule amends the SEMAP rule to provide that, if HUD approves success rate payment standard amounts, a new 5-point SEMAP performance indicator will apply which measures the PHA's voucher holder success rate. This new SEMAP indicator will apply in the second full PHA fiscal year that follows the date of HUD approval of success rate payment standard amounts. To earn the 5 points, the PHA's voucher holder success rate must exceed the higher of 75 percent, or 5 percentage points higher than the success rate during the six month period that was used to determine eligibility for success rate payment standards, and the PHA must have achieved a lease-up rate of at least 95 percent. HUD will verify the PHA's voucher holder success rate for the SEMAP rating by using MTCS data on voucher issuances, voucher expirations, and admissions. The lease-up rate will be verified using HUDCAPS data as is done for the SEMAP lease-up indicator.

B. How success rates are counted when the family moves under portability at admission

The initial PHA will count the family as successfully having used its voucher if the family leases a unit at admission in the jurisdiction of a receiving PHA. The receiving PHA will not count or report the family as a voucher issuance in its jurisdiction, since the family initially received the voucher that enabled it to lease a unit from the initial PHA.

C. How success rates are counted when a State or regional PHA chooses to request approval of success rate payment standard amounts for only a particular area(s) in its jurisdiction

Rather than using MTCS success rate data for the entire PHA, the State or regional PHA will be required to track its success rates in the area(s) for which success rate payment standard amounts are approved and then enter on its SEMAP certification the success rates for the PHA fiscal year. The SEMAP rating will be based on the State or regional PHA's SEMAP certification and will be subject to verification based on information in the PHA's annual audit report or by confirmatory review.

10. Requirement for HUD field offices to report to Headquarters approvals of success rate payment standard

amounts Once a HUD field office approves success rate payment standard amounts for a PHA, the public housing director in the HUD field office must submit to Headquarters on the first of each month (or, if the first falls on a weekend, on the next business day) a cumulative list of any PHAs for which success rate payment standards have been approved, including the date of approval for each. If there are no new approvals for the preceding month, it is not necessary to send a report. HUD field office reports should be sent via email on the first of each month to Gerald J. Benoit, Director of the Real Estate and Housing Performance Division.

If you have any questions concerning this notice, you may contact the Real Estate and Housing Performance Division, at (202) 708-0477.

/s/

Harold Lucas
Assistant Secretary for
Public and Indian Housing

Attachments

List of metropolitan FMR areas that meet the new criteria for the 50th percentile FMR

Albuquerque, NM	Norfolk-Virginia Beach-Newport News, VA
Atlanta, GA	Oakland, CA
Austin-San Marcos, TX	Oklahoma City, OK
Baton Rouge, LA	Orange County, CA
Bergen-Passaic, NJ	Philadelphia, PA
Buffalo-Niagra Falls, NY	Phoenix-Mesa, AZ
Chicago, IL	Richmond-Petersburg, VA
Cleveland-Lorain-Elyria, OH	Sacramento, CA
Dallas, TX	Salt Lake City, UT
Denver, CO	San Antonio, TX
Detroit, MI	San Diego, CA
Fort Lauderdale, FL	San Jose, CA
Fort Worth-Arlington, TX	St. Louis, MO
Grand Rapids-Muskegon-Holland, MI	Tampa-St. Petersburg-Clearwater, FL
Houston, TX	Tulsa, OK
Kansas City, MO	Ventura, CA
Las Vegas, NV	Washington, DC-MD-VA
Miami, FL	West Palm Beach-Boca Raton, FL
Minneapolis-St. Paul, MN-WI	Wichita, KS
Newark, NJ	

Sample Format to Request Success Rate Payment Standard Amounts

PHA Name*: _____

Most Recent Six Month Period for which the PHA has Success Rate Data: _____

Success Rate Data for the Six Month Period**:

a) Number of applicants to whom the PHA issued vouchers, excluding any vouchers issued but still outstanding (voucher term has not expired):	
b) Number of these applicants issued vouchers who were successful at leasing a unit with voucher assistance (An initial PHA should count any applicant who moved under portability and leased a unit at admission in a receiving PHA's jurisdiction):	
c) Number of these applicants issued vouchers who were not successful at leasing a unit with voucher assistance	
d) Percent of applicants issued vouchers who were successful at leasing a unit with voucher assistance (b/a):	

Certification of Payment Standard Amounts*:

The above-named PHA certifies that it has set its payment standard amounts for all unit sizes in the entire PHA jurisdiction at 110 percent of published 40th percentile FMR for at least the six month period stated above and up to the time this request is made to HUD.

Certification of Policy of Automatic Voucher Term Extensions*:

The above-named PHA certifies that it has a policy of granting automatic extensions of voucher terms to at least 90 days for any applicant who is making an effort to find housing.

Certification that the PHA is Reporting Voucher Issuances and Expirations to MTCS*:

The above-named PHA certifies that it reports each of its applicants to whom it issues a voucher and each voucher expiration (when the applicant is not successful in leasing a unit) to MTCS as required on form HUD-50058. *(Note: This certification does not apply until HUD implements the revised form HUD-50058 which requires this information.)*

I certify that the information herein contained is true and accurate.

Signed: _____

Title: _____

Date: _____

****Instructions for determining success rates** Success rates are determined for newly selected applicants who are issued vouchers (not for participants who are issued vouchers to move). For a new applicant, a lease in-place is counted as a success.

Any applicant who is issued a voucher and who is successful in finding and leasing a unit with assistance before the voucher term expires is counted as a voucher holder with success at leasing a unit. If a voucher holder fails to lease a unit with assistance and the voucher term expires, the applicant is counted as not successful. When determining success rates, do not consider vouchers that have been issued and remain outstanding, where it is still unknown whether or not the family will be successful in finding a unit during the voucher term.

Receiving PHAs, under portability, should not count or report a voucher issuance to an applicant who moves into its jurisdiction under portability, since the applicant initially received the voucher that enabled it to lease a unit from the initial PHA. The initial PHA should count an applicant who moved under portability and leased a unit at admission in a receiving PHA's jurisdiction as a voucher holder success for the initial PHA.

***Special instruction for State and regional PHAs** A State or regional PHA may seek approval to use success rate payment standard amounts in only a particular place, county or FMR area in its jurisdiction where voucher holders are having difficulty leasing units. The State or regional PHA must then supply the data on the request format only as it pertains to the particular area(s) for which it asks to use success rate payment standard amounts. The PHA should specify the name of each area for which it seeks success rate payment standard amounts.