



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention of: Section 8 Public
Housing Agencies; HUD Office of
Public Housing Directors; Section 8
Financial Management Center

Notice: PIH 2012-15 (HA)

Issued: February 27, 2012

Expires: This notice remains in effect until
amended, superseded, or rescinded

Subject: Streamlining Administrative Practices in the Housing Choice Voucher Program

- 1. Purpose.** This Notice provides guidance on actions public housing agencies (PHAs) administering the Housing Choice Voucher (HCV) program may take to streamline administrative practices and reduce administrative costs.
- 2. Background.** The statutory authority for administrative fees is found in section 8(q) of the United States Housing Act of 1937. However, in recent years, the appropriations acts have specified the formula by which HUD must calculate how administrative fees are calculated. Since 2008, the appropriations acts have directed HUD to calculate administrative fees based on the formula in section 8(q) prior to enactment of the Quality Housing and Work Responsibility Act of 1998 (and related appropriations acts). This formula uses the higher of the 1993 or 1994 two-bedroom Fair Market Rent. PHAs were paid 7.65 percent of that rent for the first 600 units under lease and 7.5 percent for the remaining units. These per unit rates are adjusted annually by local wage rate data.

Since 2008, Congress has not appropriated 100 percent of funding eligibility under the formula. Based on the amount of funding for administrative fees in H.R. 2112, Consolidated and Further Continuing Appropriations Act, 2012, enacted on November 18, 2011, the Department is expecting the proration to be approximately 75 percent for fiscal year 2012. The reduction in administrative fees makes it necessary for many PHAs to streamline their business practices and look for ways to reduce costs. This Notice provides guidance that PHAs may wish to consider in order to reduce administrative burdens and administrative costs.

PHA administrative fees must only be used for HCV program expenses. These include but are not limited to: (1) waiting list management and updates; (2) preference verifications; (3) eligibility determinations; (4) intake and briefings; (5) voucher issuances; (6) owner outreach efforts; (7) unit inspections; (8) rent negotiations and reasonableness determinations; (9) annual and interim income reexaminations; (10) tenant fraud investigations and hearings; (11) processing subsequent moves, including

portability moves outside the PHA jurisdiction; (12) the costs associated with making housing assistance payments to owners; and (13) monthly reporting in HUD systems (VMS, PIC, FASS, SEMAP).

3. PHA Actions to Reduce HCV Administrative Costs. The following cost-saving measures are optional and have varying degrees of impact on each PHA. The PHA should consider the impact of each action prior to implementation. PHAs must continue to comply with all program requirements, regardless of whether the PHA is experiencing financial difficulties, and regardless of what cost savings measures are taken. This is not intended to be an exhaustive list of PHA cost savings actions.

a. Use of Upfront Income Verification (UIV) Tools. UIV is the verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals. The use of UIV tools can reduce the administrative time spent verifying income of participants because time-consuming third party verification methods can be avoided. UIV tools include but are not limited to the EIV System, the Work Number, and Advanced HR Solutions. PHAs should review Notice PIH 2010-19, Administrative Guidance for Effective and Mandated Use of the Enterprise Income Verification (EIV) System, and further revisions or extensions for compliance with EIV requirements.

b. Verifying HQS Deficiencies Remotely for Annual or Interim Inspections. If the PHA determines that a unit does not meet the Housing Quality Standards (HQS) requirements during an annual or interim inspection, verification that the deficiencies are corrected may be done by means other than a re-inspection. The regulation at 24 CFR 982.404(a)(3) states that the PHA must verify the correction of deficiencies but does not prescribe a particular method. For example, a PHA might accept an owner's certification, a receipt from a vendor, a photo of the repair or tenant confirmation that required repairs are complete and then verify that action at the next on-site inspection. Further, a PHA might tie the verification process to the severity of corrections needed and/or its experience with the owner and property. PHAs must include in the PHA's Administrative Plan how the PHA will verify the correction of HQS deficiencies.

In the case of initial inspections, the PHA is required to conduct an actual follow-up on-site inspection if the unit does not pass HQS pursuant to the initial inspection. Additionally, in the case of project based vouchers, the PHA is required to conduct follow-up inspections to determine if the HQS deficiency is corrected pursuant to 24 CFR 983.103(e)(2). Please refer to Notice PIH 2011-29 for additional information related to HQS inspections.

c. Separating the Annual HQS Inspection from the Annual Reexamination of Income. Many PHAs time the annual HQS inspections to coincide with the tenant's annual reexamination of income. However, this is not a regulatory requirement and may not be the most efficient method of

completing annual HQS inspections. Separating these two functions may allow a PHA to schedule inspections based on geographic areas resulting in a more efficient use of staff time and a reduction in transportation costs.

PHAs should be aware that implementing this step would require the submission of an additional form HUD-50058, Family Report, into the PIC system. In accordance with Notice PIH 2010-25, Timely Reporting Requirements of the Family Report (form HUD-50058 and form HUD-50058 MTW), and any subsequent revisions, the Department has determined that reports must be submitted no later than 60 calendar days from the effective date of **any** action recorded on line 2b of the form HUD-50058 or form HUD-50058 MTW.

- d. **Eliminating Interim Reexaminations for Increases in Income.** PHAs may wish to consider the administrative costs of processing interim increases in income compared to the reduction in HAP expenses. Although many PHAs conduct interim reexaminations for increases in participant's income, the regulations do not require this action. The regulations at 24 CFR 982.516 require a PHA to develop policies prescribing when and under what conditions the family must report a change in family income or composition. Therefore, a PHA may adopt policies that do not require families to report increases in income until the next annual reexamination.

PHAs should consider the impact on the PHA's HAP expenses before implementing such a policy. For example, a PHA might conduct an analysis of the previous year's interim reexaminations to determine the effect on HAP expenses before the PHA takes any action.

Another alternative is to implement a policy where the PHA only requires the family to report an increase in income above a set threshold. This policy would decrease the number of interim reexaminations that the PHA must conduct. This approach creates a balance between the staff resources required to conduct the interim reexamination and the reduction in HAP expenses for the PHA. For example, a PHA could require an increase of at least \$5,000 in annual income before a family is required to report a change and the PHA conducts an interim reexamination.

PHAs are required to include in their Administrative Plan their policy on when an interim reexamination will be conducted. PHAs must conduct an interim reexamination if requested by the family due to a change in income or family composition.

- e. **Closing the Waiting List.** If a PHA has sufficient applicants on its waiting list to house families for a reasonable period of time based on past leasing rates, the PHA may close the waiting list to reduce the administrative tasks associated with accepting and processing applications. The PHA must comply with the requirements established in 24 CFR 982.206 for opening and closing the waiting list.

- f. **Eliminating Waiting List Preferences.** The establishment of local preferences for the selection of families admitted to the program is a PHA option. PHAs needing to reduce administrative burdens could elect to eliminate all local preferences and house families solely by the date and time of the application. This approach eliminates the staff time needed to verify the preferences and the on-going monitoring of the waiting list to ensure compliance with the preference system. The PHA would be required to amend the Administrative Plan to reflect the policy adopted.
- g. **Conducting Group Briefing Sessions.** The regulations at 24 CFR 982.301 outline the requirements of a PHA briefing for families selected to participate in the tenant-based program. The regulations do not prohibit a PHA from conducting these briefings in a group setting. Many PHAs follow this approach and it significantly reduces the amount of time PHA staff spends on the voucher briefing and issuance process.
- h. **Eliminating the Process of Screening Families for Tenant Suitability.** Screening families for suitability for tenancy is discretionary for PHAs as stated in 24 CFR 982.307. Owners are responsible for screening families on the basis of their tenancy history and may include factors such as: payment of rent and utility bills; caring for a unit and premises; respecting the rights of other residents to the peaceful enjoyment of their housing; drug related criminal activity or other criminal activity that is a threat to the health, safety or property of others; and compliance with other essential conditions of tenancy. The PHA's Administrative Plan must state the policies on screening applicants for suitability.

The PHA must comply with the requirements outlined in 24 CFR 982.553, Denial of Admission and Termination of Assistance for Criminals and Alcohol Abusers, when determining eligibility for an applicant or participant.

- i. **Absorbing Portability Vouchers.** In order to reduce the administrative task associated with portability billing arrangements, a PHA may absorb incoming portability families as long as they are financially able to do so. A receiving PHA cannot "absorb" a family into its HCV program until it executes a HAP contract on behalf of the family that moves to a new unit. PHAs may not engage in sham or fake portability paperwork exercises in an attempt to address their utilization or leasing problems. If the family is not placed under a HAP contract for a new unit in the receiving PHA's jurisdiction, the receiving PHA cannot absorb the family. PHAs should refer to Notice PIH 2011-3 for additional guidance on portability.
- j. **Limiting Portability and Moves within the PHA Jurisdiction.** The HCV program regulations at 24 CFR § 982.314(c) allow PHAs to adopt policies that prohibit moves during the initial lease term and prohibit more than one move by the family during any one year period. A PHA may only deny a move where the requested move is voluntary. A PHA must not deny moves for a unit that does not pass HQS or for a family requesting assistance under

the Violence Against Women Act (VAWA). PHAs should refer to Notice PIH 2011-3 for additional guidance on portability.

- k. **Streamlining the Reexamination Process.** PHAs should review their policies and procedures for conducting annual reexaminations of income to remove unnecessary steps. Removing unnecessary steps will reduce the amount of time spent on the annual reexamination process and allow staff to complete other responsibilities.
- The PHA should collect certain documents only at initial occupancy such as birth certificates and declarations of U.S. citizenship. However, HUD staff often sees multiple copies of these documents in tenant files because the PHA is collecting them unnecessarily at each annual reexamination.
 - Notice PIH 2010-19, Administrative Guidance for Effective and Mandated Use of the Enterprise Income Verification (EIV) System, page 4, which is extended by Notice PIH 2011-25, provides updated information regarding written third party verification that can reduce the administrative burden of verifying income. The Notice clarifies that Written Third Party Verification, (Level 4), can be an original or authentic document generated by a third party source dated either within the 60-day period preceding the reexamination or PHA request date and that such documentation may be in the possession of the tenant (or applicant). In the past, written third party verification had to come directly from the source and could not be in the tenant's possession. It is the Department's position that such tenant-provided documents are written third party verification since these documents originated from a third party source. The PHA may, at its discretion, reject any tenant-provided documents and follow up directly with the source to obtain necessary verification of information.

Examples of acceptable tenant-provided documentation (generated by a third party source) include, but are not limited to: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices. Current acceptable tenant-provided documents must be used for income and rent determinations. Please refer to Notice PIH 2010-19 for complete details.

- Notice PIH 2010-19, page 5, also makes an exception to obtaining third party verification for assets and expenses when: (1) the asset or expense to be verified is not a significant amount and would have minimum impact on the total tenant payment (TTP) **and** the PHA is able to verify the asset or expense through review of original documents provided by the tenant; or (2) an independent source does not have the capability of sending written third party verification directly to the PHA or does not facilitate oral third party verification; or (3) it is not cost effective or reasonable to obtain third party verification of assets and expenses.

administrative repayment agreement. Reasonable and necessary costs include the costs of the investigation, legal fees and collection agency fees. If HUD incurs costs on behalf of the PHA in obtaining the judgment, these costs must be deducted from the amount to be retained by the PHA.

Since these funds must only be used to support the Section 8 program, they can provide added relief to an agency's administrative costs. Please refer to 24 CFR 792, Public Housing Agency and Section 8 Fraud Recoveries, for a full explanation of fraud recoveries.

5. PHA Plan Requirements. Any cost-savings measures referenced in this Notice that would result in a policy change that constitutes a significant amendment or modification as defined in 24 CFR 903.7(r)(2) are subject to the requirements of §§ 903.13, 903.15 , 903.17, and 903.21, which include a public hearing and comment period. **However, not all cost-savings measures constitute a significant amendment; the PHA must make that determination based on the PHA's definition of significant amendment as provided in their PHA plan.**

6. Further Information. Any questions regarding this Notice should be directed to the Housing Voucher Management and Operations Division, Office of Public Housing and Voucher Programs, at (202) 708-0477 (this is not a toll-free number).

7. Paperwork Reduction Act. The information collection requirements contained in this Notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3520). In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number. The information collection contained in this Notice has been approved under the PRA OMB Control Number 2577-0169.

/s/

Sandra B. Henriquez, Assistant Secretary for
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