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# An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance

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# Summary

The Section 8 low-income housing program is really two programs authorized under Section 8 of the U.S. Housing Act of 1937, as amended: the Housing Choice Voucher program and the project-based rental assistance program. Vouchers are portable subsidies that low-income families can use to lower their rents in the private market. Vouchers are administered at the local level by quasi-governmental public housing authorities (PHAs). Project-based rental assistance is a form of rental subsidy that is attached to a unit of privately owned housing. Low-income families who move into the housing pay a reduced rent, on the basis of their incomes.

The Section 8 program began in 1974, primarily as a project-based rental assistance program. However, by the mid-1980s, project-based assistance came under criticism for seeming too costly and concentrating poor families in high-poverty areas. Congress stopped funding new project-based Section 8 rental assistance contracts in 1983. In their place, Congress created vouchers as a new form of assistance. Today, vouchers—numbering more than 2 million—are the primary form of assistance provided under Section 8, although over 1 million units still receive project-based assistance under their original contracts or renewals of those contracts.

Congressional interest in the Section 8 programs—both the voucher program and the project-based rental assistance program—has increased in recent years, particularly as the program costs have rapidly grown, led by cost increases in the voucher program. In order to understand why costs are rising so quickly, it is important to first understand how the program works and its history. This report presents a brief overview of that history and introduces the reader to the program. For more information, see CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*; and CRS Report R41182, *Preservation of HUD-Assisted Housing*, by Maggie McCarty and Libby Perl.

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# Introduction

The rental assistance programs authorized under Section 8 of the United States Housing Act of 1937 (42 U.S.C. §1437f)—Section 8 project-based rental assistance and Section 8 tenant-based vouchers—have become the largest components of the Department of Housing and Urban Development's (HUD) budget, with combined appropriations of $27 billion in FY2013.[1] The rising cost of providing rental assistance is due, in varying degrees, to expansions in the program, the cost of renewing expiring long-term contracts, and rising costs in housing markets across the country. The most rapid cost increases have been seen in the voucher program.

Partly out of concern about cost increases, and partly in response to the administrative complexity of the current program, there have been calls for reform of the voucher program and its funding each year since 2002. In response, Congress has enacted changes to the way that it funds the voucher program and the way that PHAs receive their funding. Congress has considered program reforms, but has not enacted them.

In order to understand why the program has become so expensive and why reforms are being considered, it is first important to understand the mechanics of the program and its history. This paper will provide an overview of the Section 8 programs and their history. For more information, see CRS Report RL33929, *The Section 8 Voucher Renewal Funding Formula: Changes in Appropriations Acts*; CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*; and CRS Report R41182, *Preservation of HUD-Assisted Housing*, by Maggie McCarty and Libby Perl.

## Background Information

From 1937 until 1965, public housing and the subsidized mortgage insurance programs of the Federal Housing Administration (FHA) were the country's main forms of federal housing assistance. As problems with the public housing and other bricks and mortar federal housing construction programs (such as Section 235 and Section 236 of the National Housing Act) arose—particularly their high cost—interest grew in alternative forms of housing assistance. In 1965, a new approach was adopted (P.L. 89-117). The Section 23 program assisted low-income families residing in leased housing by permitting a public housing authority (PHA)[2] to lease existing housing units in the private market and sublease them to low-income and very low-income families[3] at below-market rents. However, the Section 23 program did not ameliorate the growing problems with HUD's housing construction programs and interest remained in developing and testing new approaches. The Experimental Housing Allowance Program is one example of such an alternative approach.

**Table 1. The Experimental Housing Allowance Program**

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|---|
| The Experimental Housing Allowance Program (EHAP) began with a mandate to HUD from Congress in 1970 to test the impacts and feasibility of providing low-income families with allowances to assist them in obtaining |

[1] For more information about HUD budget trends, including the Section 8 programs, see CRS Report R42542, *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*, by Maggie McCarty.

[2] PHAs are state-chartered, quasi-governmental bodies that administer public housing and Section 8 vouchers.

[3] HUD uses a relative measure of income for determining benefits and eligibility for Section 8. "Low-income families" have adjusted gross incomes at or below 80% of the local area median income; "very low-income" families have adjusted gross incomes at or below 50% of the local area median income; and "extremely low-income" families have adjusted gross incomes at or below 30% of the local area median income

existing, decent rental housing of their choice (P.L. 91-152). Congress was interested specifically in finding the answers to several key questions:

- How many families would make use of allowance payments?
- What kind of housing would they choose and in what neighborhoods?
- How would housing markets respond to the increased demand for housing?
- At what cost could a housing allowance program be administered?

In order to answer these questions, HUD contracted for the conduct of three experiments: the *Demand Experiment* to test how families would respond to a housing allowance, the *Supply Experiment*, to test how markets would respond to subsidies and the *Administrative Agency Experiment*, to test the administrative capacity and funds required to administer a housing allowance program. The first reports came out in 1973, and a final report was issued in 1980. The EHAP's key findings are listed below:

- In order to ensure housing quality, subsidies have to be tied to housing standards; however, stricter housing standards limit participation. Participation is also linked to subsidy amount; as the subsidy increases, so does participation.
- Mobility and location of residence are mainly governed by ties to relatives, neighbors, and friends and are not affected by housing allowance payments.
- A housing allowance program has virtually no effect on the price of housing and does not stimulate new construction or major rehabilitation. However, it does help preserve the existing housing stock by stimulating repairs.
- A housing allowance program can be effectively administered at the local level.

The early findings of EHAP helped to set the tone for the debate that created the Section 8 program.

**Source:** Raymond Struyk, "Policy Questions and Experimental Responses," in *Housing Vouchers for the Poor: Lessons from a National Experiment*, Raymond Struyk and Marc Bendick Jr. Eds (Washington: Urban Institute Press, 1981).

Due to criticisms about cost, profiteering, and slumlord practices in federal housing programs, President Nixon declared a moratorium on all existing federal housing programs, including Section 23, in 1973. During the moratorium, HUD revised the Section 23 program and sought to make it the main assisted housing program of the federal government. However, at the same time, Congress was considering several options for restructuring subsidized housing programs. After all the debates and discussions that typically precede the passage of authorizing legislation were completed, Congress voted in favor of a new leased housing approach, and the Section 8 program was created.

# Early Section 8

The Section 8 program is named for Section 8 of the United States Housing Act of 1937. The original program, established by the Housing and Community Development Act of 1974 (P.L. 93-383), consisted of three parts: new construction, substantial rehabilitation, and existing housing certificates. The 1974 Act and the creation of Section 8 effectively ended the Nixon moratorium. In 1978, the moderate rehabilitation component of the program was added, but it has not been funded since 1989. In 1983, the new construction and substantial rehabilitation portions of the program were repealed, and a new component—Section 8 vouchers—was added. In 1998, existing housing certificates were merged with and converted to vouchers.

## New Construction and Substantial Rehabilitation

Under the new construction and substantial rehabilitation components of the early Section 8 program, HUD entered into long-term (20- or 40-year) contracts with private for-profit, non-profit, or public organizations that were willing to construct new units or rehabilitate older ones to

house low- and very low-income tenants. Under those contracts, HUD agreed to make assistance payments toward each unit for the duration of the contract. Those assistance payments were subsidies that allowed tenants residing in the units to pay 25% (later raised to 30%) of their adjusted income as rent. The program was responsible for the construction and rehabilitation of a large number of units. Over 1.2 million units of housing with Section 8 contracts that originated under the new construction and substantial rehabilitation program still receive payments today.

By the early 1980s, because of the rising costs of rent and construction, the amount of budget authority needed for the Section 8 rental assistance program had been steadily increasing while the number of units produced in a year had been decreasing. At the same time, studies emerged showing that providing subsidies for use in newly constructed or substantially rehabilitated housing was more expensive than the cost of providing subsidies in existing units of housing. Also, because contracts were written for such long terms, appropriators had to provide large amounts of budget authority each time they funded a new contract (see below for an illustration of the implication of long-term contracts). As the budget deficit grew, Members of Congress became concerned with the high costs associated with Section 8 new construction and substantial rehabilitation, and these segments of the Section 8 program were repealed in the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181).

**Table 2. What Do Long Term Contracts Mean for Congress?**

The following example illustrates how Congress appropriates funds for long-term contracts, compared to one-year contracts.

In 2012, a housing voucher cost an average of $7,400 per year, according to HUD's FY2014 Congressional Budget Justifications. If Congress wanted to fund 10 new Section 8 subsidies in 2012, the cost of doing so would depend on the length of the contract Congress decided to fund:

If the contract was a **40-year** contract, as was the case in the beginning of the Section 8 program, then Congress must appropriate:

10 vouchers x $7,400 x 40 years = **$2.96 million**.*

If the contract was a **one-year** contract, as is the case with Section 8 contracts today, then Congress must appropriate:

10 vouchers x $7,400 x 1 year = **$74,000**.

Thus, it would have cost Congress less in 2012 to provide one year contracts than it would have to provide multiyear contracts. The trade-off is the cost in subsequent years. For example, assume that Congress intends to maintain those 10 subsidies in 2013. If Congress funded those subsidies under 40-year contracts in 2012, then the subsidies would not require new funding again until 2052, meaning Congress would not have to provide appropriations in 2013; however, if Congress funded those subsidies under one-year contracts in 2012, then the subsidies would require another year's worth of funds in 2013.

* Note, this example does not include an estimate for inflation. When funding multi-year contracts, Congress generally includes an estimate of inflation and adds it to the total cost.

## Moderate Rehabilitation

The Housing and Community Development Amendments of 1978 (P.L. 95-557) added the moderate rehabilitation component to the Section 8 program, which expanded Section 8 rental assistance to projects that were in need of repairs costing at least $1,000 per unit to make the housing decent, safe, and sanitary. Over the next 10 years, however, this component of the program was fraught with allegations of abuse; the process of awarding contracts was considered unfair and politicized. Calls for reform of the moderate rehabilitation program led to its suspension. It has not been funded since 1989.

## Existing Housing Certificates

The existing housing certificate component of the Section 8 program was created in the beginning of the Section 8 program and continued until 1998. Under the existing housing certificate program, PHAs and HUD would enter into an Annual Contributions Contract (ACC) for the number of units that would be available to receive assistance. Contracts were originally written for five years and were renewable, at HUD's discretion, for up to 15 years. In the contract, HUD agreed to pay the difference between the tenant's rental payment and the contract rent of a unit. The contract rent was generally limited to the HUD-set Fair Market Rent (FMR) for the area.

**Table 3. What is Fair Market Rent (FMR)?**

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| FMRs are gross rent estimates that include both shelter rent paid by the tenant to the landlord and the cost of tenant-paid utilities, except telephones. Each year, HUD sets FMRs either at the 40th percentile rent or at the 50th percentile rent for each metropolitan or non-metropolitan statistical area in the nation, as well as for each state. For most areas, the FMR is set at the 40th percentile rent paid by recent movers, which means that 40% of all standard quality rental housing units rented within the past 18 months have rents at or below the FMR. For some high cost areas, the FMR is set at the 50th percentile rent or the median rent, so that 50% of standard units fall at or below the FMR. In some low-cost communities, the FMR is raised to the statewide FMR, if it is higher. |

After entering into a contract with HUD, PHAs would advertise the availability of certificates for low-income tenants. The existing housing certificate program was primarily tenant-based, meaning that the assistance was attached to the tenant. Families selected to receive assistance were given certificates as proof of eligibility for the program; with their certificates, families could look for suitable housing in the private market. Housing was considered suitable if it rented for the FMR or less and met Housing Quality Standards (HQS).[4] Once the household found a unit, they signed a lease and agreed to pay 30% of their adjusted income for rent. The remainder of the rent was paid by HUD to the landlord on behalf of the tenant. If a family vacated a unit in violation of the lease, HUD had to make rental payments to the landlord for the remainder of the month in which the family vacated, and pay 80% of the contract rent for an additional month. If the family left the unit at the end of their lease, they could take their certificate with them and use it for their next home. HUD also paid the PHA an administrative fee for managing the program. The amount of this administrative fee was set by Congress in appropriations legislation each year.

PHAs were permitted to use up to 15% of their Section 8 certificates for project-based housing. In project-based Section 8 existing housing, the subsidy was attached to the unit, which was selected by the PHA, and not to the tenant. This meant that when a tenant vacated a unit, another eligible tenant would be able to occupy it, and HUD would subsidize the rent as long as a contract was in effect between the PHA and the owner.

In 1998, the Quality Housing and Work Responsibility Act (QHWRA, P.L. 105-276) merged the Section 8 existing housing certificate program with the voucher program (see below) and converted all certificates to vouchers, effectively ending the Section 8 existing housing certificate program.

### The Voucher Program

The largest component of today's Section 8 program, the voucher program, was first authorized by the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181). It was originally a

[4] Housing Quality Standards (HQS) are minimum standards set by HUD that set acceptable conditions for interior living space, building exterior, heating and plumbing systems, and general health and safety.

demonstration program, but was made permanent in 1988. Like the Section 8 existing housing certificate program, the voucher program is administered by PHAs and is tenant-based, with a project-based component. However, under the voucher program, families can pay more of their incomes toward rent and lease apartments with rents higher than FMR.

# Today's Section 8 Programs

Today's Section 8 program is really two programs, which, combined, serve almost 3.5 million households.

**Note to Reader: Recent Legislative Changes**

The FY2014 Consolidated Appropriations Act (P.L. 113-76) included several legislative provisions that affect the two Section 8 programs. They are summarized below; however, the remainder of this report does not reflect these changes. This report will be updated once the new policies are fully implemented by HUD.

From Division L, Title 2 of P.L. 113-76

- Section 220: Modification of Section 8 Housing Choice Voucher inspection requirements

  *PHAs are required to inspect units that are to receive Section 8 Housing Choice Voucher subsidy payments prior to approval of a family's tenancy and annually thereafter. The inspections are to ensure that the property meets standards set out in statute. Section 220 alters this requirement to require ongoing inspections happen no less frequently than biennially and it also allows inspections undertaken pursuant to other state, local, or federal housing program standards to fulfill the Section 8 voucher inspection requirements, as long as the administering PHA attests that the alternate standards provide at least as much protection as the Section 8 voucher program standards. It also adds a provision to allow for interim inspections, to take place at the request of a tenant, within 24 hours in the case of a life-threatening condition, or within a reasonable time period for all other conditions. The changes are to take effect upon a date set at the Secretary's discretion through either notice or rulemaking.*

- Section 238: Redefinition of "extremely low-income"

  *Currently, the term "extremely low-income" (ELI), which is used for eligibility and targeting provisions in various federal housing assistance programs, is defined as income no greater than 30% of local area median income. This provision expands the definition such that the term is defined as income that is no more than the greater of 30% of local area median income or the federal poverty level. This effectively sets the federal poverty level as a national floor for the definition of ELI, meaning anyone who has income at or below the federal poverty level will be considered extremely low-income. This provision was included in earlier assisted housing reform legislation. HUD is to establish the requirements of this new policy by notice, then commence rulemaking within six months of the issuance of the notice.*

- Section 242: Modification of utility allowance for Section 8 voucher holders

  *Section 8 voucher holders whose utilities are not included in their rent are provided with a utility allowance to help offset their utility costs. Currently, utility allowances are based on the size of the unit occupied by the family, not the size of the family. Section 242 would base a family's utility allowance on a family's size, rather than a unit size. This policy will reduce utility allowance payments for families that are renting dwelling units with more bedrooms than is necessitated by their family size. PHAs must approve a higher utility allowance amount as a reasonable accommodation for a person with a disability. HUD is to establish the requirements of this new policy by notice, then commence rulemaking within six months of the issuance of the notice.*

## Section 8 Project-Based Rental Assistance

The first program under Section 8 can be characterized as Section 8 project-based rental assistance. This program includes units created under the new construction, substantial rehabilitation, and moderate rehabilitation components of the earlier Section 8 program that are still under contract with HUD. Although no new construction, substantial rehabilitation, or moderate rehabilitation contracts have been created for a number of years, about 1.3 million of

these units are still funded under multiyear contracts that have not yet expired and do not require any new appropriations, or multiyear contracts that had expired and are renewed annually, requiring new appropriations.

Families that live in Section 8 project-based units pay 30% of their incomes toward rent. In order to be eligible, families must be low-income; however, at least 40% of all units that become available each year must be rented to extremely low-income families. If a family leaves the unit, the owner will continue to receive payments as long as he or she can move another eligible family into the unit.

Owners of properties with project-based Section 8 rental assistance receive a subsidy from HUD, called a Housing Assistance Payment (HAP). HAP payments are equal to the difference between the tenant's payments (30% of income) and a contract rent, which is agreed to between HUD and the landlord. Contract rents are meant to be comparable to rents in the local market, and are typically adjusted annually by an inflation factor established by HUD or on the basis of the project's operating costs. Project-based Section 8 contracts are managed by contract administrators. While some HUD regional offices still serve as contract administrators, the Department's goal is to contract the function out entirely to outside entities, including state housing finance agencies, PHAs, or private entities.

When project-based HAP contracts expire, the landlord can choose to either renew the contract with HUD for up to five years at a time (subject to annual appropriations) or convert the units to market rate. In some cases, landlords can choose to "opt-out" of Section 8 contracts early. When an owners terminates an HAP contract with HUD, either through opt-out or expiration—the tenants in the building are provided with enhanced vouchers designed to allow them to stay in their unit (see discussion of "Tenant Protection or Enhanced Vouchers" below).[5]

In 2010, about 51% of the households that lived in project-based Section 8 units were headed by persons who were elderly, about 17% were headed by persons who were non-elderly disabled, and about 33% were headed by persons who were not elderly and not disabled. The median income of households living in project-based Section 8 units was a little more than $10,000 per year.[6]

## Section 8 Tenant-Based Housing Choice Vouchers

When QHWRA merged the voucher and certificate programs in 1998, it renamed the voucher component of the Section 8 program the Housing Choice Voucher program. The voucher program is funded in HUD's budget through the tenant-based rental assistance account. The federal government currently funds more than 2 million Section 8 Housing Choice Vouchers. PHAs administer the program and receive an annual budget from HUD. Each has a fixed number of vouchers that they are permitted to administer and they are paid administrative fees.

Vouchers are tenant-based in nature, meaning that the subsidy is tied to the family, rather than to a unit of housing. In order to be eligible, a family must be very low-income (50% or below area median income (AMI)),[7] although 75% of all vouchers must be given to extremely low-income families (30% or below AMI). To illustrate the regional variation in these definitions of low-income and their relationship to federal definitions of poverty, **Table 4** compares HUD's income definitions to the Department of Health and Human Services (HHS) poverty guidelines for

[5] For more about expiring Section 8 project-based rental assisted contracts, see CRS Report R41182, *Preservation of HUD-Assisted Housing*, by Maggie McCarty and Libby Perl.

[6] CRS analysis of data provided by HUD. Please note that 2010 are the most recent data HUD has provided to CRS.

[7] In some limited circumstances, families can earn up to 80% of AMI and still be eligible.

several geographic areas in 2013. Note that HHS poverty guidelines are uniform in all parts of the country (except for Alaska and Hawaii, not shown in the following table).

**Table 4. Income Thresholds for a Three-Person Family in Selected Areas in 2013**

| | HUD Very Low-Income Limits | HUD Extremely Low-Income Limits | HHS Poverty Guidelines |
|---|---|---|---|
| Jefferson County, MS | $18,900 | $11,350 | $19,530 |
| New York, NY | $38,700 | $23,200 | $19,530 |
| San Francisco, CA | $47,500 | $28,500 | $19,530 |

**Source:** Department of Housing and Urban Development 2013 Income Limits and Department of Health and Human Services 2013 Poverty Guidelines.

Families who receive vouchers use them to subsidize their rents in private market apartments. Once an eligible family receives an available voucher, the family must find an eligible unit. In order to be eligible, a unit must meet minimum housing quality standards (HQS) and cost less than 40% of the family's income[8] plus the HAP paid by the PHA. The HAP paid by the PHA for tenant-based vouchers, like the HAP paid for Section 8 project-based rental assistance, is capped; however, with tenant-based vouchers, PHAs have the flexibility to set their caps anywhere between 90% and 110% of FMR (up to 120% FMR with prior HUD approval). The cap set by the PHA is called the payment standard. Once a family finds an eligible unit, the family signs a contract with HUD, and both HUD and the family sign contracts with the landlord. The PHA will pay the HAP (the payment standard minus 30% of the family's income), and the family will pay the difference between the HAP and the rent (which must total between 30% and 40% of the family's income). After the first year, a family can choose to pay more than 40% of their income towards rent. PHAs may also choose to adopt minimum rents, which cannot exceed $50. (See box below for an example.)

**Table 5. How is a Voucher Subsidy Calculated?**

First, a PHA sets a payment standard. A payment standard is a maximum subsidy level that is equal to anywhere between 90% and 110% of Fair Market Rent (FMR). Then, a PHA calculates a maximum Housing Assistance Payment (HAP). A HAP is the amount that the PHA will pay the landlord and it is equal to the greater of the rent for an apartment or the payment standard, minus 30% of a family's income. The family can then go out to the rental market and find an apartment. In order to be approved that apartment cannot rent for more than the maximum HAP plus 40% of a family's income. If the rent for the unit is less than the HAP plus 30% of a household's income, the household must still pay 30% of their income toward rent, but the HAP will be reduced.

For example, consider a family who earns $900 per month and lives in a community with an FMR of $800 per month for the appropriate size apartment. If their PHA has a payment standard of 110% of FMR, then the maximum HAP a family can receive is $610 per month [($800 * 110%) - ($900 * 30%)]. The family can therefore shop for an apartment with a rent of up to $970 per month [$610 + ($900 * 40%)].

If the family finds an apartment for $970 per month, the PHA will pay the maximum HAP ($610) and the family will pay 40% of their income per month ($360).

If the family finds an apartment for less than the payment standard, say $750 per month, the family will pay 30% of their income toward rent, and the PHA will pay the difference between the rent and 30% of the family's income. In this case, the family will pay $270 [$900 * 30%] and the PHA will pay $480 [$750 - (900 * 30%)].

[8] This 40% cap on a tenant's contribution is in effect only for the first year. After the first year, if rent increases and the family wishes to continue to live in the unit, then the family can choose to contribute more than 40% of its income toward rent.

Once a family is using a voucher, the family can retain the voucher as long as the PHA has adequate funding for it and the family complies with PHA and program requirements. If a family wants to move, the tenant-based voucher can move with the family. Once the family moves to a new area, the two PHAs (the PHA that originally issued the voucher and the PHA that administers vouchers in the new area) negotiate regarding who will continue to administer the voucher.[9]

The voucher program does not contain any mandatory time limits. Families exit the program in one of three ways: their own choice, non-compliance with program rules (including non-payment of rent), or if they no longer qualify for a subsidy. Families no longer qualify for a subsidy when their incomes, which must be recertified annually, have risen to the point that 30% of that income is equal to rent. At that point the HAP payment will be zero and the family will no longer receive any subsidy.

Unlike the project-based Section 8 program, the majority of households receiving vouchers are headed by a person who is not elderly and not disabled. In 2010, about 19% of the households with Section 8 vouchers were elderly households, about 28% were disabled households, and about 53% were non-elderly, non-disabled households with children. The median income of households with vouchers was just over $10,400 per year.[10]

## Project-Based Vouchers

Vouchers, like Section 8 existing housing certificates, can be project-based. In order to project-base vouchers, a landlord must sign a contract with a PHA agreeing to set-aside up to 25% of the units in a development for low-income families. Each of those set-aside units will receive voucher assistance as long as a family that is eligible for a voucher lives there. Families that live in a project-based voucher unit pay 30% of their adjusted household income toward rent, and HUD pays the difference between 30% of household income and a reasonable rent agreed to by both the landlord and HUD. PHAs can choose to project-base up to 20% of their vouchers. Project-based vouchers are portable; after one year, a family with a project-based voucher can convert to a tenant-based voucher and then move, as long as a tenant-based voucher is available.

## Tenant Protection or Enhanced Vouchers

Another type of voucher, called a tenant protection voucher, is given to families that were already receiving assistance through another HUD housing program, before being displaced. Examples of instances when families receive tenant-protection vouchers include when public housing is demolished or when a landlord has terminated a Section 8 project-based rental assistance contract. Families that risk being displaced from project-based Section 8 units are eligible to receive a special form of tenant-protection voucher, called an enhanced voucher. The "enhanced" feature of the voucher allows the maximum value of the voucher to grow to be equal to the new rent charged in the property, as long as it is reasonable in the market, even if it is higher than the PHA's payment standard. They are designed to allow families to stay in their homes. If the family chooses to move, then the enhanced feature is lost and the voucher becomes subject to the PHA's normal payment standard.

[9] The feature of a voucher that permits a family to move from one jurisdiction to another while retaining their assistance is referred to as portability. The administration of portability has proven to be complicated for PHAs. In some cases, the originating PHA is billed for the cost of the family's voucher by the receiving PHA; in other cases, the receiving PHA transitions the new family onto one if its vouchers and the original voucher reverts to the originating PHA. PHA advocacy groups have called for HUD to make regulatory reforms to ease the administration of portability.

[10] CRS analysis of data provided by HUD. Please note that 2010 are the most recent data HUD has provided to CRS.

## Special Purpose Vouchers

The voucher program also has several special programs or uses. These include family unification vouchers, vouchers for homeless veterans, and vouchers used for homeownership.

### *Family Unification Program*

Family unification vouchers are given to families for whom the lack of adequate housing is a primary factor in the separation, or threat of imminent separation, of children from their families or in preventing the reunification of the children with their families. HUD has awarded over 38,600 family unification vouchers to PHAs since the inception of the program.[11]

### *HUD-VASH*

Beginning in 1992, through collaboration between HUD and the VA, Section 8 vouchers have been made available for use by homeless veterans with severe psychiatric or substance abuse disorders. Through the program, called HUD-VA Supported Housing (HUD-VASH), PHAs administer the Section 8 vouchers while local VA medical centers provide case management and clinical services to participating veterans.[12]

### *Homeownership Vouchers*

While there are no specifically authorized "homeownership vouchers," since 2000 certain families have been eligible to use their vouchers to help pay for the monthly costs associated with homeownership. Eligible families must work full-time or be elderly or disabled, be first-time homebuyers, and agree to complete first-time homebuyer counseling. PHAs can decide whether to run a homeownership program and an increasing number of PHAs are choosing to do so. According to HUD's website, nearly 13,000 families have closed on homes using vouchers.[13]

## Family Self-Sufficiency Coordinators

The Family Self Sufficiency (FSS) program was established by Congress as a part of the National Affordable Housing Act of 1990 (P.L. 101-625). The purpose of the program is to promote coordination between the voucher program and other private and public resources to enable families on public assistance to achieve economic self-sufficiency. Families who participate in the program sign five-year contracts in which they agree to work toward leaving public assistance. While in the program, families can increase their incomes without increasing the amount they

[11] HUD awarded 33,497 FUP vouchers from 1992 to 2001. Each award included five years of funding per voucher and the voucher's use was restricted to FUP-eligible families for those five years. At the end of those five years, PHAs were eligible to convert those FUP vouchers to regular vouchers. While the five-year use restrictions have expired for all FUP vouchers, according to surveys conducted by the Child Welfare League of America, the vast majority of PHAs have continued to use their original FUP vouchers for FUP-eligible families and some have even chosen to use some regular-purpose vouchers for FUP families. As a result of these two factors, it is unclear how many of those original FUP vouchers are serving FUP-eligible families at this time. In FY2008, FY2009, and FY2010, Congress appropriated funding for additional FUP vouchers and HUD had awarded 5,094 of those vouchers at the time this report was updated.

[12] The program was codified in 2001 and reauthorized in 2006; however, VASH vouchers were not funded again until FY2008. Since then, VASH vouchers have been funded each year. For more information, see CRS Report RL34024, *Veterans and Homelessness*, by Libby Perl.

[13] http://www.hud.gov/offices/pih/programs/hcv/homeownership/publiclist_vhosites.xls, accessed December 26, 2013. Data current as of March 2011.

contribute toward rent. The difference between what the family paid in rent before joining the program and what they would owe as their income increases is deposited into an escrow account that the family can access upon completion of the contract. For example:

> If a family with a welfare benefit of $450 per month begins working, earning $800 per month, the family's contribution towards rent increases from $135 per month to $240 per month. Of that $240 the family is now paying towards rent, $105 is deposited into an escrow account. After five years, the family will have $6,300 plus interest in an escrow account to use for whatever purpose the family sees fit.

PHAs receive funding for FSS coordinators, who help families with vouchers connect with services, including job training, child care, transportation and education.

In 2012, HUD funded the salaries of over 1,100 FSS coordinators in the voucher program, serving nearly 48,000 enrolled families.[14]

## Demonstrations

### *Moving to Work*

The Moving to Work Demonstration, authorized in 1996 (P.L. 104-134), was created to give HUD and PHAs the flexibility to design and test various approaches for providing and administering housing assistance. The demonstration directed HUD to select up to 30 PHAs to participate. The goals were to reduce federal costs, provide work incentives to families, and expand housing choice. MTW allows participating PHAs greater flexibility in determining how to use federal Section 8 voucher and Public Housing funds by allowing them to blend funding sources and experiment with rent rules, with the constraint that they had to continue to serve approximately the same number of households. It also permits them to seek exemption from most Public Housing and Housing Choice Voucher program rules. (For more information, see CRS Report R42562, *Moving to Work (MTW): Housing Assistance Demonstration Program*, by Maggie McCarty.)

The existing MTW program, while called a demonstration, was not implemented in a way that would allow it to be effectively evaluated. Therefore, there is not sufficient information about different reforms adopted by MTW agencies to evaluate their effectiveness. However, there is some information available about how PHAs are using the flexibility provided under MTW. Agencies participating in MTW have used the flexibility it provides differently. Some have made minor changes to their existing Section 8 voucher and public housing programs, such as limiting reporting requirements; others have implemented full funding fungibility between their public housing and voucher programs and significantly altered their eligibility and rent policies. Some have adopted time limit and work requirement policies similar to those enacted in the 1996 welfare reform law.

An evaluation for MTW published in January 2004 reported:

> The local flexibility and independence permitted under MTW appears to allow strong, creative [P]HAs to experiment with innovative solutions to local challenges, and to be more responsive to local conditions and priorities than is often possible where federal program requirements limit the opportunity for variation. But allowing local variation poses risks as well as provides potential benefits. Under MTW, some [P]HAs, for instance, made mistakes that reduced the resources available to address low-income housing needs, and

[14] HUD FY2014 Congressional Budget Justifications.

> some implemented changes that disadvantaged particular groups of needy households currently served under federal program rules. Moreover, some may object to the likelihood that allowing significant variation across [P]HAs inevitably results in some loss of consistency across communities.[15]

### *Moving to Opportunity*

The Moving to Opportunity Fair Housing Demonstration (MTO) was authorized in 1992 (P.L. 102-550, P.L. 102-139). MTO combined housing counseling and services with tenant-based vouchers to help very low-income families with children move to areas with low concentrations of poverty. The experimental demonstration was designed to test the premise that changes in an individual's neighborhood environment can change his or her life chances. Participating families were selected between 1994 and 1998 and followed for at least 10 years. Interim results have found that families who moved to lower-poverty areas had some improvements in housing quality, neighborhood conditions, safety, and adult health. Mixed effects were found on youth health, delinquency, and engagement in risky behavior: girls demonstrated positive effects from the move to a lower-poverty neighborhood; boys showed negative effects. No impacts were found on child achievement or schooling or adult employment, earnings, or receipt of public assistance.[16] (For more information, see CRS Report R42832, *Choice and Mobility in the Housing Choice Voucher Program: Review of Research Findings and Considerations for Policymakers*.)

# Conclusion

The combined Section 8 programs are the largest direct housing assistance program for low-income families. With a combined FY2013 budget of $27 billion, they reflect a major commitment of federal resources. That commitment has led to some successes. More than three million families are able to obtain safe and decent housing through the program, at a cost to the family that is considered affordable. However, these successes come at a high cost to the federal government. Given current budget deficit levels, Congress has begun to reevaluate whether the cost of the Section 8 programs, particularly the voucher program, are worth their benefits. Proposals to reform the program abound, and whether the current Section 8 programs are maintained largely in their current form, changed substantially, or eliminated altogether are questions currently facing Congress.

## Author Information

Maggie McCarty
Specialist in Housing Policy

[15] *Housing Agency Responses to Federal Deregulation: An Assessment of HUD's "Moving to Work" Demonstration*, U.S. Department of Housing and Urban Development, Prepared by Martin D. Abravanel et al., Urban Institute, January 2004.

[16] *Moving to Opportunity Fair Housing Demonstration Program Interim Impacts Evaluation, US Department of Housing and Urban Development*, Prepared by Larry Orr et al., Abt Associates; and Lisa Sanbonmatsu et al., National Bureau of Economic Research, September 2003, http://www.nber.org/mtopublic/MTO%20Overview%20Presentation.pdf.

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