



The Housing Opportunity Through Modernization Act (H.R. 3700)

Center on Budget and Policy Priorities

Webinar

March 3, 2016



Agenda

- Background and overview – Barbara Sard
- Rent and eligibility provisions – Will Fischer
- Other provisions – Barbara Sard
- Legislative outlook – Barbara Sard
- Q&A



Background

- No major authorizing legislation affecting vouchers and public housing enacted since 1998.
- H.R. 3700 includes many provisions from earlier bills:
 - Section 8 Voucher Reform Act (SEVRA, 2006 - 2010)
 - Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA, 2012)
- House approved H.R. 3700 on February 2, 2016 in rare unanimous (427-0) vote.



Overview

- H.R. 3700 would update and streamline rental assistance programs to help:
 - expand access to higher-opportunity areas;
 - address homelessness;
 - strengthen work incentives;
 - support renovation of public housing;
 - ease administrative burdens; and
 - trim program costs.
- Leaves in place core characteristics of rental assistance (such as deep income targeting and income-based rents).



Main Rental Assistance Changes in H.R. 3700

- Streamlining tenant rent determinations.
- New income and asset limits.
- Added flexibility to project-base vouchers.
- Improvements to voucher housing quality inspections.
- Flexibility in use of public housing funds.



RENT AND ELIGIBILITY PROVISIONS



Rent Policy

- Provisions affect all rental assistance under U.S. Housing Act (vouchers, Section 8 project-based rental assistance, and public housing).
- Retains “Brooke rents”: Most tenants pay 30% of adjusted income for rent.
- Streamlines deductions and process for determining tenant rents.



Rents: Income Deductions

- Raises elderly/disabled standard deduction to \$525 (from \$400) and indexes it to inflation in future years.
- Allows deduction for medical and disability expenses above 10% of income (instead of 3%).
- Leaves dependent deduction unchanged but indexes it to inflation in future years.
- House passed an amendment submitted by Rep. Waters removing provisions that would have raised dependent deduction and scaled back child care deduction.



Net Impact on Rents of H.R. 3700's Changes in Standard and Itemized Deductions for Elderly and Disabled Households

Income Category	Total Impact	Decrease	No Change	Increase	Increase of \$25/mo. or more
Extremely Low-Income	-\$6 million	1,474,000	40,000	284,000	11,000
Non Extremely Low-Income	+\$89 million	211,000	2,000	323,000	158,000
Total	+\$83 million	1,686,000	42,000	606,000	169,000



Rents: Impact of Deduction Changes

- Rents would rise for some tenants and fall for others, but changes would generally be modest (with increases never more than 2.1% of income).
- Expanding participation in federal health programs (like Medicare Part D Low-Income Subsidy and the Medicare Savings Program) could potentially ease increases by covering some out-of-pocket costs.
- HUD would be required to issue regulations providing exemptions for families that can't pay higher rents due to financial hardship and study effects of deduction changes.



Rents: Other Changes to Countable Income

- Eliminates temporary disregard of earnings increases for voucher holders with disabilities and public housing residents.
- Only requires inclusion of imputed income from assets above \$50K (compared to \$5K today).
- Excludes veterans' aid and attendance expenses from income.



Rents: Process Changes

- Changes would reduce administrative burden for agencies and owners and encourage work.
- Interim recertification only for income reductions and *unearned* income increases above 10%.
- Prohibits interim recertifications for earnings increases (unless the increase comes after a downward recertification for an earnings decrease).
- Requires use of prior-year income, except when a family first receives assistance and for interim recertifications.
- Allows housing agencies to rely on income determinations from SNAP and other means-tested programs.



Public Housing Income Limit

- If public housing resident's income exceeds 120% of local median for two consecutive years, within six months PHA would have to:
 - Charge family higher of applicable fair market rent or sum of operating and capital funding for unit; or
 - Evict family.
- HUD could adjust limits above or below 120% of median to reflect local construction costs, incomes, vacancy rates, or rents.
- About 3,000 public housing families (0.3% of the total) had incomes above 120% of area median income in both 2013 and 2014.



Asset Limit

- In general makes families ineligible for public housing and section 8 programs if:
 - They have assets above \$100,000; or
 - Own a home in which they could live.
- PHAs may rely on family's self-certification that assets don't exceed \$50,000 or include any interest in real property;
- Broad exclusions of certain assets (e.g. retirement accounts) and homes (e.g. those assisted through voucher homeownership program);
- PHAs and owners can opt to delay evictions or subsidy terminations, grant exemptions, or not enforce the asset limit at all.



OTHER CHANGES IN PARTICULAR PROGRAMS



Project-Based Vouchers: Easing Agency Limit on Project-Basing

- Raises cap on share of PHA's voucher assistance that can be project-based from 20% to 30% if added PBVs are used:
 - in areas where tenant-based vouchers are hard to use;
 - to house homeless or veterans; or
 - for supportive housing for elderly and people with disabilities.
- Agencies could project-base 20% (or 30% if they meet criteria above) of *authorized* vouchers rather than voucher funds, which will usually provide more flexibility.



Project-Based Vouchers: Easing Limit on Share of PBVs in a Development

- Allows PBVs in 40% of units in a development (rather than 25%) in areas with low-poverty or where vouchers are hard to use.
- Permits project-basing in higher of 25 units or 25% of a project's units to allow greater concentration in smaller projects.
- Exempts units that previously received other project-based subsidies from limit on share of PBVs in a project.



Project-Based Vouchers: Other Changes

- Extends maximum contract term from 15 to 20 years.
- Guarantees families right to use tenant-based voucher to stay in unit if project-based voucher contract terminates.
- Allows owners to establish site-based waiting lists, subject to fair housing and other requirements.
- Allows project-basing of Veterans Affairs Supportive Housing (VASH) and Family Unification Program (FUP) vouchers without special requirements.



Voucher Inspections

- Allows PHAs to let tenant move into unit that fails initial inspection because of non-life threatening conditions, but violation must be fixed in 30 days or subsidy will be discontinued.
- Families can initially occupy units inspected under other federal programs with comparable inspection rules, so long as PHA later inspects unit under voucher rules.



Voucher Inspections: Units that Fail Reinspection

- H.R. 3700 keeps current requirement that agencies suspend and eventually terminate subsidies if a unit where a voucher holder lives fails reinspection and violations aren't fixed in a timely manner.
- In addition H.R. 3700:
 - During subsidy suspension, prohibits evictions and allows families to terminate lease and move if they wish;
 - Upon subsidy termination, requires that families be given at least 90 days to rent a new unit with their voucher and the option to move to the agency's next available public housing unit; and
 - Allows agency to use funds left unused from subsidy suspension to help families find new unit and relocate.



Other Housing Voucher Program Changes

- Allows PHAs to permanently exempt voucher holders who remain in place from reduced payment standards stemming from declines in HUD Fair Market Rents.
- Allows vouchers to cover periodic costs of buying and owning a manufactured home (e.g. mortgage and insurance) along with rent for land where home is placed,
- For former foster children, extends eligibility age for Family Unification (FUP) vouchers from 21 to 24 and maximum length of FUP assistance from 18 months to 36.



Public Housing Funding Flexibility

- Allows PHAs to shift up to 20 percent of operating subsidies to capital fund.
 - Currently agencies can transfer 20 percent of capital funds to operating fund but generally can't shift funds the other way (except that small, non-troubled agencies can shift unlimited funds in either direction and appropriations acts have provided limited additional flexibility).
- Allows PHAs to establish replacement reserves using capital funds or other resources that would be exempt from deadlines for obligation and expenditure.



Changes to Other Housing Programs

- Updates formula for Housing Opportunities for People with Aids (HOPWA) program to better match funding for states and metropolitan areas to current level of need.
- Modifies Section 502 rural housing loan guarantee program by allowing USDA to delegate some loan approvals and collect a fee from lenders to cover IT costs.
- Streamlines process for providing FHA mortgage insurance for condominiums.



Cost Savings

- CBO estimated that bill would reduce program costs by \$311 million over five years.
 - Estimate does not reflect House floor amendments, but unlikely those had major net impact on costs.
- Savings from changes in elderly/disabled deductions and FHA condominium insurance more than needed to offset costs (e.g. from shifting assistance to lower-income families through asset and income limits, protection from payment standard declines, indexing dependent deduction).
- Savings mean appropriators could reduce funding without assisting fewer families, or help more families with existing funding.



Outlook

- Bill has strong momentum going into Senate from House vote.
- Path forward is uncertain.
- Could move by “unanimous consent,” which would mean no amendments (good or bad).



Resources on H.R. 3700

- Resource page: <http://www.cbpp.org/the-housing-opportunities-through-modernization-act-hr-3700>
- CBPP report: <http://www.cbpp.org/research/housing/bipartisan-housing-bill-would-build-on-effectiveness-of-rental-assistance>
- Side-by-side comparison with current law:
http://www.cbpp.org/sites/default/files/atoms/files/hr_3700-current_law_12-7-15.pdf
- Letter from organizations supporting bill:
http://www.cbpp.org/sites/default/files/atoms/files/hr_3700_sign_on.pdf
- Full text of bill: <https://www.congress.gov/114/bills/hr3700/BILLS-114hr3700rfs.pdf>



Q&A