Date: **June 6, 2022**

To: **House and Senate THUD Staff**

From: **Poverty & Race Research Action Council**
Center on Budget & Policy Priorities
National Housing Law Project
National Low Income Housing Coalition

Re: **Flexibility in the use of Housing Choice Voucher funds to increase utilization of vouchers and expand access to opportunity**

We are writing to highlight an important reform to make using Housing Choice Vouchers easier during a period of unusually tight rental housing markets across the country. Housing agencies (excluding those participating in the Moving to Work demonstration) are successfully putting nearly all of the voucher funds they receive each month to use helping people in need; however, many individual families struggle to use their vouchers or face limited housing choice since it is often especially difficult to use vouchers in neighborhoods with high-quality schools and other resources that increase opportunity for voucher families with children.

Specifically, we are recommending a narrow change in appropriations language to permit the use of HCV Housing Assistance Payments (HAP) for security deposits and apartment holding fees. These changes will address two of the most common barriers to using vouchers and will open up many thousands of new units for families with vouchers.

In general, the approach of allowing HAP funds to be used only for direct assistance to help families pay housing costs is sound. If housing agencies were given broad flexibility, many would shift HAP funds that are urgently needed for voucher subsidies into their administrative budgets or to other purposes that have less benefit for people who are struggling to afford housing. Currently, however, HUD interprets the voucher statute and the usual appropriations language even more narrowly, permitting HAP funds to be used only for monthly rent payments after a tenancy is approved and the unit has passed a housing quality inspection. This restrictive view of “housing assistance” is no longer serving the voucher program or its families. Expanding the definition to allow capped amounts for security deposits and holding fees would provide more effective assistance while retaining the important underlying requirement that funds be used only for direct housing assistance.

Many apartments, especially in more competitive rental markets, require a security deposit equivalent to at least one month’s rent, which most voucher families cannot afford – creating an insurmountable barrier to access for many. Another significant barrier to access is related to the delay in leasing for HCV units: including time for housing quality inspections and paperwork processing, it is not unusual for 30 days or more to elapse from the initial Request for Tenancy Approval to the signing of the lease and Housing Assistance Payments contract with the owner. In neighborhoods where there is significant competition for apartments, many owners may opt for an immediate rental, rather than waiting for the housing authority to process its paperwork.

To address these barriers, some agencies have successfully used special flexibility available to them under the Moving to Work demonstration and the Emergency Housing Voucher program to help families secure housing with their vouchers by offering security deposits and by paying owners the equivalent of rent in the form of a holding fee for the 30 days or so prior to the signing of the lease – ensuring that the unit is being held for the voucher family's use. We are proposing that this limited flexibility in the use of HAP funds be written into the 2023 Appropriations Bill to address HUD's concern that the current language does not permit HAP payments for security deposits or apartment holding fees. For example, the following bill language could be inserted in the sections of the bill covering voucher renewals and new voucher increments:

> *Provided further*, That notwithstanding any other law, public housing agencies may use current and prior year housing assistance funds for standard security deposits and for fees to hold an available apartment during the inspection and approval process, up to a maximum of one month's rent for each type of expenditure.

This change would give public housing agencies the flexibility, where needed, to address barriers to voucher utilization and to improve choice and access to areas of opportunity for their families. There is no additional cost in fiscal year 2023 of providing this flexibility; the formula governing renewal funding based on leasing and costs in calendar year 2022 would not be altered. PHAs could use their HAP reserves without reducing the number of vouchers leased by the agency, or where they are unable to maintain leasing, they could use a small portion of their current year funding. In future years, payments for security deposits and holding fees would be considered as leasing-related costs eligible for renewal under the formula. The future cost of this new flexibility would be minimal. PHAs are likely to choose to exercise this option mainly to *maintain* utilization in tightening markets or to restore the number of vouchers leased to pre-pandemic levels. We hope some PHAs would also use this flexibility to address barriers to leasing in high opportunity neighborhoods. Any added costs would apply to only a small share of vouchers: those newly issued (voucher turnover rates nationally are approximately 8%) or when families move.

As our nation emerges from the COVID-19 pandemic and low-income renters with HUD assistance face new challenges in a highly competitive market, these proposed changes are needed to give families a better chance to use their voucher in a neighborhood of their choice.

We would welcome the opportunity to meet to discuss this proposal in more detail.