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Public and Indian Housing  
U.S. Department of Housing and Urban Development  
Insurance, Housing and Community Opportunity Subcommittee  
House Financial Services Committee  
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Chairwoman Biggert, Ranking Member Gutierrez and members of the Subcommittee, thank you for allowing me to testify on the discussion draft of the Section Eight Savings Act (SESA). HUD is committed to making our programs more efficient for housing operators, reducing costs at the local and agency level and reducing administrative burdens on tenants, Public Housing Agencies (PHAs) and owners. This draft legislation includes a number of valuable proposals that would help achieve those goals, and the Department looks forward to working with the Subcommittee to further refine the bill, taking into account recommendations in HUD's FY 2012 budget submission.

HUD's rental assistance programs -- the Housing Choice Voucher program, the project-based Section 8 program and public housing -- serve over 4 million families nationwide. The annual median income of families residing in HUD-assisted housing is \$10,200. Over half of these families are elderly. HUD remains committed to ensuring that these families have safe and decent housing options and we are grateful for the efforts by the members of the Subcommittee to help ensure full funding of the Section 8 program in FY2011.

Because HUD is fully committed to the families we serve, we want to find ways that will reduce administrative burdens on the PHAs and multifamily owners that operate our programs and expand housing opportunities to the working poor. That is why we included changes in our FY2012 budget request to help meet these goals, including the following specific actions:

- Modify recertification of income for families on fixed-incomes;
- Revise the elderly and disabled standard deductions to make it easier to calculate rent;

- Create a definition of “extremely low-income” under the U.S. Housing Act to increase access for housing assistance programs to working poor families in rural areas;
- Authorize PHAs to approve rents up to 120% of fair market rent for families with disabilities instead of waiting for HUD HQ approval; and
- Allow HUD to undertake a rent policy demonstration in order to test various rent structure to promote self-sufficiency, increase income and reduce administrative burdens on PHAs.

Taken together, these changes will save \$1 billion over five years in HUD’s three largest rental housing assistance programs. We are pleased that some of these proposals are in the discussion draft of SESA, and, again, we look forward to discussing with the Subcommittee the inclusion of additional proposals in SESA as the bill moves forward.

### **Streamlining Inspections and Rent Calculations**

SESA includes many provisions that will streamline administrative burdens on PHAs and landlords while improving access to safe, decent and affordable housing for tenants. For example, the bill allows for biennial housing inspections instead of annual inspections, and allows PHAs to use inspection certifications from other state or federal housing assistance programs to meet inspection requirements for tenants. These changes will provide PHAs with the flexibility to concentrate their inspection resources on the more marginal and higher-risk units while maintaining a rigorous standard for the condition of the properties.

The draft legislation also proposes to reform the current income and rent calculation systems. The current systems are overly complex and administratively burdensome, and SESA would represent a significant improvement by allowing PHAs to defer the income re-examination for families with fixed incomes for up to 3 years.

Additionally, the draft allows PHAs to use income data collected from other federal means-tested programs to determine families’ income. This will encourage information sharing between PHAs and other state and federal assistance providers and reduce staff time in determining eligibility and income. We hope that we can continue to work with the Subcommittee and our partners in USDA to include language that would specifically allow for information sharing between PHAs and state Supplemental Nutritional Assistance Program (SNAP) agencies.

All of the program activities outlined earlier are paid for from administrative fees and represent some of the most costly and staff intensive elements of administering the HCV program. Adequate administrative fees are necessary to maintain an effective level of service delivery, provide safe units for families, and ensure that the right benefits are going to the right people. Establishing a reasonable administrative fee is complicated by the fact that the last comprehensive study of administrative fees was performed in 1988, and costs, technology, and program responsibilities have changed dramatically since that time. HUD is conducting an in-depth time and motion study on the cost necessary to administer the voucher program effectively. The results of this study will not only justify a viable and supportive fee funding going forward, but will allow HUD to analyze all aspects of voucher program administration in order to reduce and simplify PHA administrative

responsibilities. HUD anticipates completing the full study in 2014, but having preliminary results in 2013 to help inform funding discussions.

In addition to this study, HUD is currently moving towards a more efficient and accurate way of collecting data from PHA Housing Choice Voucher programs. Under our Information Technology modernization initiative, we are aiming to replace the 20-year old legacy system with the Next Generation Voucher Management System. The system will support enhanced budget planning and forecasting capabilities, improve grantee reporting and data integrity and ensure that the programs comply with the requirements of the Section 8 voucher modernization legislation.

The provisions in SESA combined with the other activities HUD is undertaking internally to streamline administrative program requirements and improve data collection will help housing providers and HUD deliver services faster and more efficiently to low income families.

### **Voucher Funding**

SESA includes provisions that would establish a reserve minimum at PHAs for the Housing Choice Voucher program. This is important because it would give PHAs a set-aside so they can continue to provide housing assistance in the event of a natural disaster or other unforeseeable circumstance that could compromise capacity. However, it is critical for the voucher renewal formula to be based on actual leasing and costs data, as well as, providing HUD the authority leasing rates, as well as the ability to both offset and reallocate excess reserve funds to PHAs. As outlined in our 2012 Budget proposal, those re-allocated funds would first be used to negate a downward proration and be applied to all PHAs. This proposal would reward the PHAs that are high performers and serve additional families by reallocating available budget authority to those PHAs that will put the funding to use. We urge the Subcommittee to provide this authority in SESA. .

### **Family Self Sufficiency**

The devastating effect that the economic downturn has had on the housing circumstances of poor Americans was underscored in early February, when HUD released results from its Worst Case Housing Needs study. HUD defines worst case needs as: renters with very low incomes who do not receive government housing assistance and who either pay more than half their income for rent, live in severely inadequate conditions, or both. The report showed an increase of 20 percent in worst case needs renters between 2007 and 2009 -- the largest increase in worst case housing needs in the quarter-century history of the survey, and caps an increase of 42 percent since 2001. HUD rental assistance programs serve extremely low income families and homeless populations. The demand on our rental programs has been steadily increasing as incomes have dropped and homes have been lost to foreclosure.

HUD has been working to help families living in our public housing and using HUD's Housing Choice Voucher program to achieve economic self-sufficiency and reduce their dependence on federal assistance programs through the Family Self Sufficiency (FSS) program. FSS program participants are provided with training and counseling that enables them to increase their earned income and decrease or eliminate the need for rental assistance. As a result, rental assistance resources would be freed up for other needy families.

In FY2010, there were 50,000 tenants of public housing and the Housing Choice Voucher program enrolled in the Family Self-Sufficiency programs and 53 percent of participants that had been enrolled in the program for at least one year reported an increase of earned income since enrollment. Additionally, a HUD report found that between 2005 and 2009, the average annual income for FSS graduates had increased from \$19,902 to \$33,390. An earlier HUD analysis of the program found that FSS participants experienced a 72 percent increase in their median income during participation in the FSS program while a similar group of non-FSS participants increased their median income by only 36 percent during the same period.

HUD applauds your leadership, Chairman Biggert, on the Family Self Sufficiency program, and in particular your recognition that it is an important tool for HUD-assisted tenants to increase wealth and move to self-sufficiency. HUD supports the effort to expand the program to tenants in our project-based Section 8 properties and would like to continue to work with the Committee to streamline program administration and funding at the PHA and federal level.

### **Increasing Access to Quality Housing**

The project-based voucher program was created to expand housing opportunities, promote mixed-income development and provide tenants with a mobility option. SESA includes an important provision to encourage long-term viability of properties utilizing project-based vouchers by allowing contracts to be renewed for up to 20 years.

HUD believes additional changes should be made to the project-based voucher program that would expand housing options for homeless, disabled and elderly populations as well as make the program easier for PHAs to utilize. These changes include:

- (1) Changing the project-based limitation from 20% of budget authority to 20% of a PHA's authorized units. This change will greatly simplify both HUD and PHAs' ability to track the use of PBV authority.
- (2) Providing PHAs with the flexibility to increase the number of project based units by an additional 5% in order to serve homeless families, disabled persons that require supportive services, and to provide project based voucher assistance for units located in areas where tenant-based vouchers are difficult to use.
- (3) Allowing PHAs to establish guidelines and criteria for multifamily owners to create and maintain site-based waiting lists for project-based voucher projects.

Another area that HUD has been focusing on is the preservation of HUD Rent Supplement and Rental Assistance Payment (RAP) properties. These are older properties with rental assistance contracts that do not have any option for renewal, unlike our project-based rental assistance contracts. We foresee a spike in contract expiration between now and 2013, affecting roughly 6,000 units. One way to continue to provide rental assistance to the low-income tenants and continue to keep these properties affordable for the long-term would be to enable HUD to project-based tenant protection vouchers for these properties.

We believe these changes, in addition to the 20 year renewal provision in SESA, will make the project-based voucher program more effective at creating and preserving long-term affordable housing, and we support including the changes in SESA.

### **Moving to Work Program**

In your invitation letter, you requested that witnesses discuss the Moving- to -Work program. The Moving -to-Work program is a demonstration program for public housing agencies that provides them the opportunity to design and test innovative, locally-designed strategies to use Federal dollars more efficiently, help residents become employed and self-sufficient and increase housing opportunities for low-income families. There are currently 35 MTW agencies. Our FY2012 budget request includes a provision that authorizes the Secretary the discretion to add three additional agencies to the MTW program, should they meet certain criteria.

MTW agencies are allowed to combine their public housing and Housing Choice Voucher funds and use them in a more flexible manner to serve the needs of their tenants, to improve their housing stock and to better administer their programs. To participate, MTW agencies are required to develop detailed plans that describe their demonstration initiatives and define metrics for measuring outcomes. They must ensure that seventy five percent of the families they assist are very low-income (i.e. at or below 50 percent of annual median income), must serve substantially the same number and mix of families as they did when they entered the demonstration, meet housing quality standards and must comply with all other Federal requirements that are not authorized for flexibility or not part of their demonstration plan. MTW are also required to submit annual reports that document outcomes and provide additional information on households served and the use of their combined funds. As required by the FY2010 Appropriations Act, HUD issued an interim report to Congress. The report indicates that while there have been limitations to evaluating the outcomes of MTW because of weak initial reporting requirements and a lack of a research design, MTW agencies have qualitatively demonstrated innovation and achievement in preserving public housing with project-based assistance, streamlining housing assistance to reduce costs without negatively impacting the residents, encouraging self-sufficiency through a variety of rent reform structures and developing local self-sufficiency programs and service enriched housing. The conclusion of the report also suggests that program expansion should only proceed if the newly admitted PHAs structure their programs for high quality evaluations.

In addition to this report, HUD will be seeking an independent contractor to conduct a third-party evaluation of the MTW program.

While the current draft of SESA does not include provisions on the MTW program, it does include authorization for a Rent Policy Demonstration program that will enable HUD to test changes in rent policy that would meet the goals of encouraging families to obtain employment, increase incomes and achieve economic self-sufficiency while reducing administrative burdens and maintaining housing stability. HUD envisions that this demonstration will involve a limited number of families, but could include families receiving assistance from Moving-to-Work agencies. The authorization of this demonstration program will allow HUD to test how policies like family self-sufficiency

participation, income disregards and different rent structures can be effective tools in promoting economic self-sufficiency. This provision is similar to HUD's budget request and will continue to work with Committee on innovative ways to help HUD-assisted tenants build their assets and create rent structures that can meet the needs of our low-income families.

### **Fair Market Rents**

Finally, I would like to briefly discuss Section 10 of SESA that addresses fair market rent publication.

HUD's Office of Policy Development and Research is responsible for establishing and publishing fair market rents annually. Fair Market Rents (FMRs) are primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), and to serve as a rent ceiling in the HOME rental assistance program. HUD annually estimates FMRs for 530 metropolitan areas and 2,045 nonmetropolitan county FMR areas.

The FMR changes included in SESA provide the department the ability to better utilize the most current American Community Survey (ACS) data available while also better aligning the publication of FMRs with the funding cycle of PHAs. These provisions would also eliminate the requirement that proposed FMRs be published, but require that HUD propose substantial methodological changes in advance and allow interested parties to request changes after final FMRs are published. HUD will continue to work with the Subcommittee on this issue to ensure that the FMRs are published in a timely manner, reflecting the most up to date data available.

### **Conclusion:**

Thank you Chairwoman Biggert for inviting me to testify on behalf of HUD on the draft of the Section Eight Savings Act. Overall, this discussion draft includes key reforms to simplify administrative process for housing providers, reduce costs in HUD's rental assistance programs and increase opportunities for HUD tenants to achieve self-sufficiency. We appreciate the work that the members of the Subcommittee and their staffs have devoted to preparing this legislation, and the collaborative approach they have taken in their interactions with HUD on the draft. We hope to will continue working closely with the Subcommittee as the bill moves forward.

