Housing Choice Vouchers

By Linda Couch, Senior Vice President for Policy, NLIHC

Housing Choice Vouchers (HCV) help people with the lowest incomes afford housing in the private housing market by paying landlords the difference between what a household can afford to pay in rent and the rent itself, up to a reasonable amount. The HCV program is HUD's largest rental assistance program, assisting more than 2.2 million households.

ADMINISTRATION

The voucher program is administered by HUD's Office of Public and Indian Housing, as well as approximately 2,300 state and local public housing agencies.

HISTORY AND PURPOSE

Federal tenant-based rental assistance was established as part of a major restructuring of federal housing assistance for low income families in 1974. President Richard Nixon supported the creation of the tenant-based Section 8 program as an alternative to the government's involvement in producing affordable multifamily apartments. In recent decades, the program has enjoyed broad bipartisan support. It grew incrementally between 1974 and 1996, the first year when no new, incremental vouchers were appropriated. Since then, Congress has authorized HUD to award some 700,000 additional vouchers, but about half of these have simply replaced public housing or other federally subsidized housing that has been demolished, or is no longer assisted.

In the last 10 years, Congress has funded incremental vouchers (new vouchers that are not replacements for other assisted housing) only for special populations, primarily for the HUD - Veterans Affairs Supportive Housing (HUD-VASH) program. These new vouchers are targeted to specifically address the housing needs of a particular group, as opposed to vouchers that would add to a community's overall voucher pool.

PROGRAM SUMMARY

Today, more than 2.1 million households have HUD HCVs, also called Section 8 tenant-based rental assistance. Of voucher households, 75% are extremely low income, 27% have a head of household with a disability, and 22% are seniors. Housing vouchers are one of the major federal programs intended to bridge the gap between the cost of housing and the incomes of low wage earners, people on limited fixed incomes, and other poor people. The Housing Choice Voucher program provides flexibility and options by issuing vouchers to eligible households to help them pay rent in privately owned apartments of the households' choosing, and by allowing public housing agencies (PHAs) to attach a portion of their vouchers to particular properties (project-based vouchers), or to help families buy homes. The national average income of a voucher household is $13,568.

The HCV program has deep income targeting requirements. That is, a majority of its resources must assist extremely poor households. Since 1998, 75% of all new voucher holders must have extremely low incomes, at or below 30% of the area median income (AMI). The remaining 25% of new vouchers can be distributed to tenants with incomes up to 80% of AMI.

HUD has annual contracts with about 2,300 PHAs to administer vouchers. Funding provided by Congress is distributed to these agencies by HUD based on the number of vouchers in use in the last year, the cost of vouchers, an increase for inflation, as well as other adjustments.

To receive a voucher, residents put their names on local PHA waiting lists. The HCV program, like all HUD affordable housing programs, is not an entitlement program. Many more people need and qualify for vouchers than actually receive them: Only one in four households eligible for housing vouchers receives any federal rental assistance. The success of the existing voucher program and any expansion because of new vouchers depends on sufficient annual appropriations.

Local PHAs distribute vouchers to qualified families who then conduct their own housing searches and identify private apartments with rents within the PHA's rent payment standards. The agency's inspection of the unit must also demonstrate that the unit meets HUD's housing quality standards. The amount of the housing subsidy is capped at a payment standard set by the PHA. A PHA can set its payment standard between 90% and 110% of HUD's Fair Market Rent (FMR), the rent in the area for a modest apartment. HUD sets FMRs annually. Nationally, voucher households pay just more than $300 a month for rent and utilities, on average.

Generally, voucher program participants pay 30% of their income toward rent and utilities. The value of the voucher then makes up the difference between the tenant's rent payment and the housing agency's rent payment standard. Tenants renting units for more than the payment standard pay 30% of their income plus the difference between the payment standard and the actual rent (up to 40% of adjusted income for new and relocating voucher holders). After a year in an apartment, a family can choose to pay more than 40% of its income toward rent.

Housing vouchers are portable, meaning families can use them to move nearly anywhere in the country where there is a functioning voucher program; their use is not limited to the jurisdiction of the administering agency. A PHA is permitted to impose some restrictions on portability in the first year if a family did not live in the jurisdiction of the PHA when it applied for assistance. Portability has been restricted or disallowed by some PHAs due to alleged inadequate funding. Recent HUD guidance requires approval of the local HUD office before a PHA may prohibit a family from using a voucher to move to a new unit due to insufficient funding.

FUNDING

Beginning in 2003, Congress shifted away from providing renewal funding for all authorized vouchers. Annual changes in funding policies that failed to base renewal funding on the actual cost of vouchers in use, combined with funding shortfalls, resulted in the loss of more than 150,000 vouchers nationwide. In 2007, Congress returned to basing each agency's eligibility for renewal funding on the cost of vouchers in use in the prior year. In 2013, the voucher program received another significant jolt: the sequester. These across-the-board cuts forced local PHAs to freeze their waiting lists, effectively stopping new households from being assisted as vouchers were returned. All told, the Center on Budget and Policy Priorities estimates that 70,000 vouchers were lost in 2013 because of the sequester. Since 2013, Congress has restored funding for only about two-thirds of the vouchers lost due to the sequester.

FORECAST

Funding. The president's budget request for FY17 would provide funds to renew vouchers in use in 2016.

New Vouchers. For many years, the primary source of increased federal housing assistance for very poor people was new annual appropriations for additional vouchers. Between FY 1995 and FY 1998, however, no such incremental vouchers were funded. Congress then approved the following incremental vouchers: 50,000 new vouchers for FY 1999; 60,000 for FY 2000; 87,000 for FY01; and 26,000 for FY02. Congress approved no new vouchers in FY03, FY04, FY05, FY06 or FY07. Since FY08, Congress has appropriated funding for a small number of incremental vouchers each year, no more than about 17,000, for special populations, mostly for homeless veterans under the HUD-VASH program. Each year, from FY06 through FY16, Congress has provided funds for HUD-VASH vouchers.

In FY17, HUD is seeking $88 million for approximately 10,000 new vouchers to assist families with children experiencing homelessness. These vouchers would be awarded competitively to PHAs based on geographic areas of demonstrated need. These PHAs would be required to partner with their local Continuum of Care to identify program participants. HUD is also seeking funds for a Tribal HUD-VASH demonstration to provide rental assistance for Native American Veterans who are homeless or at risk-of homelessness living on or near a reservation or other Indian areas.

For FY17, HUD is also seeking $15 million for a new HCV Mobility demonstration to encourage voucher participants to move to lower-poverty areas and expand access to opportunity areas. Funds would be used for pre- and post-move counseling as well as for PHA administrative costs.

Housing Opportunity Through Modernization Act. This bill, introduced as H.R. 3700, passed the House of Representatives unanimously in 2015. Because 2016 is the second year of the two-year Congressional session, the bill remains alive and ready for Senate action. The bill would make various improvements to the project-basing of vouchers, to the income certification and rent determination processes, to the Family Unification Program, and to the inspection process for voucher apartments.

WHAT TO SAY TO LEGISLATORS

Advocates should encourage Members of the House and Senate to:

- Fully fund renewal of all vouchers in use as of December 2016.
- Provide funds for the new 10,000 vouchers for families with children experiencing homelessness.
- Provide funds for the Mobility Demonstration to get vouchers into higher opportunity neighborhoods.

FOR MORE INFORMATION

NLIHC, 202-662-1530, www.nlihc.org

Center on Budget and Policy Priorities, 202-408-1080, www.cbpp.org

National Housing Law Project, 415-546-7000, www.nhlp.org ■