

Moving to Work (MTW) Demonstration and Expansion

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Administering Agency: HUD's Office of Public and Indian Housing (PIH)

Year Started: 1996 for the original 39 public housing agencies (PHAs), 2021 for the Expansion PHAs.

Population Targeted: Public Housing and Housing Choice Voucher (HCV) residents

Funding: No new funding. Funding for Moving to Work (MTW) is drawn from a PHA's existing public housing Capital Fund, Operating Fund, and HCV funds.

See Also: For related information, refer to the Public Housing and Housing Choice Vouchers sections of this Advocates' Guide.

Summary

The Moving to Work Demonstration (MTW) is a voluntary HUD public housing agency (PHA) program that provides selected PHAs with enormous flexibility because the enabling statute allows HUD to waive nearly all provisions of the "United States Housing Act of 1937" and accompanying regulations. The waivers can include most of the main rules and standards governing Housing Choice Vouchers (HCV) and public housing, although civil rights, labor, and environmental laws cannot be waived. MTW PHAs are also allowed to shift public housing Capital and Operating Funds and HCV assistance, including HCV Administrative Fees and Housing Assistance Payment (HAP) funds, to purposes other than those for which these funds were originally appropriated – referred to as "fungibility." No matter how funds are mixed, they are called "MTW Funds." MTW flexibilities can significantly affect residents by increasing

their rent, imposing work requirements, or limiting how long they can remain in public housing or receive HCV assistance. In addition, fungibility has the potential of shifting HCV funds out of the voucher program, resulting in fewer households receiving housing assistance. There are 39 "original" MTW PHAs and 100 "Expansion" MTW PHAs.

Because the original demonstration program has not been evaluated, particularly regarding the potential for harm to residents, NLIHC has long held that the MTW demonstration is not ready for expansion or permanent authorization. Various legislative vehicles have sought to maintain the original 39 MTW PHAs. The MTW contracts for each of these 39 PHAs were set to expire in 2018, but in 2016 HUD extended all of them to 2028.

History

The MTW "demonstration" was initially created by the 1996 appropriations act, which allowed 30 PHAs to apply for MTW flexibilities. Between 1996 and 2013, various [appropriations acts authorized additional PHAs: https://bit.ly/3RALTBw/history](https://bit.ly/3RALTBw/history) to participate in MTW, while some MTW PHAs ran their course and ended their MTW participation. As of the close of 2013, 39 PHAs had MTW status, including four designated in December 2012. These "original" 39 MTW PHAs operated 12% of all public housing and HCV units, yet the impact of their MTW flexibilities were never subject to meaningful evaluation, rendering the term "demonstration program" meaningless. The "original" MTW PHAs are indicated as "initial" on [this MTW "Participating Agencies" webpage: https://bit.ly/4ixeGBZ](https://bit.ly/4ixeGBZ).

The "Consolidated Appropriations Act of 2016" authorized HUD to expand the MTW demon-

stration to an additional 100 high-performing PHAs over a seven-year period ending in 2022 (although PIH was still seeking additional participants in 2023). PHAs were to be added to the MTW demonstration in groups (called “cohorts”), each of which was to be overseen by a research advisory committee to ensure that each cohort was evaluated with rigorous research protocols and quantitative analysis, using comparisons with control groups of comparable PHAs that did not have MTW “flexibilities.” Each year’s cohort of MTW Expansion PHAs would be directed by PIH to test one specific policy change. MTW Expansion PHAs could use additional “MTW Waivers” beyond the specific policy change of their cohort, as long as those waivers did not conflict with or interfere with their cohort study.

Program Summary

As stated in Section 204 of the “Omnibus Consolidated Rescissions and Appropriations Act of 1996,” the purpose of MTW is to give PHAs and HUD the flexibility to design and test various approaches to providing and administering housing assistance that:

1. Reduces costs and achieves greater cost-effectiveness in federal expenditures.
2. Provides incentives to households with children in which the household head is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that help people to obtain employment and become economically self-sufficient.
3. Increases housing choices for low-income households.

In addition, that statute requires PHAs granted MTW status (“MTW PHAs”) to meet five statutory requirements:

1. A PHA must have at least 75% of the households it assists be very low-income households, those with income equal to or less than 50% of the area median income (AMI).

2. A PHA must establish a reasonable rent policy, which must be designed to encourage employment and self-sufficiency – rent policies such as excluding some or all of a household’s earned income for purposes of determining rent.
3. A PHA must continue to assist substantially the same total number of eligible low-income households as would have been served had the amounts of public housing Capital and Operating funds and/or HCV funds not been combined. Low-income is defined as income equal to or less than 80% of AMI.
4. A PHA must maintain a comparable mix of households (by household size) as would have been provided had the amounts of public housing Capital and Operating funds and/or HCV funds not been used under MTW.
5. A PHA must ensure that housing assisted under MTW meets PIH Housing Quality Standards.

These statutory requirements apply to the MTW Extension PHAs as well as to the original 39 MTW PHAs.

In practice, PIH’s enforcement of these requirements for the original 39 MTW PHAs has been highly permissive. For example, the Center on Budget and Policy Priorities ([CBPP](https://www.cbpp.org/research/moving-to-work-housing-program-raises-serious-concerns)) notes: <https://www.cbpp.org/research/moving-to-work-housing-program-raises-serious-concerns> that some of the original MTW PHAs have been allowed to implement policies that serve many thousands fewer households than they could have served if the MTW PHAs used public housing or HCV funds for their original purposes. MTW PHAs have also been permitted to charge extremely low-income households rent well above amounts they could reasonably be expected to afford.

PHAs selected to participate in MTW can seek waivers from most statutes and regulations governing public housing and HCVs. For exam-

ple, they can seek PIH approval to merge public housing Capital Funds, public housing Operating Funds, and HCV funds (administrative fees and HAP funds) into a block grant – referred to as “fungibility.” Waivers can harm residents if MTW PHAs are allowed to charge rents greater than 30% of a household’s income, impose work requirements, or limit how long a household can receive housing assistance.

Critique of Original MTW Program

WAIVERS OF KEY TENANT PROTECTIONS

The Center on Budget and Policy Priorities (CBPP) wrote that one set of concerns about MTW affecting the original 39 MTW PHAs is that MTW allowed waivers of policies that protect low-income households and make rental assistance effective. For example, MTW PHAs are permitted to raise rents above those permitted under the Brooke Rule (which generally caps rent and utility payments at 30% of a household’s adjusted income). All MTW PHAs admitted to the program before 2021 modified their rent rules in some manner and the majority raised “minimum rents” or instituted other policy changes that charge households who have little or no income more than they would pay under the regular rules – sometimes hundreds of dollars a month more.

MTW PHAs also implemented numerous other policies that risk exposing households to hardship or limiting their access to opportunity. CBPP wrote that a 2018 analysis found nine MTW PHAs instituted work requirements and a 2014 study found eight MTW PHAs placed time limits on assistance. A significant number of MTW PHAs also imposed restrictions on the right of HCV households to move to a community of their choice.

Such policies are particularly problematic because (with very limited exceptions) PIH has not required that they be rigorously evaluated, or even that the impact on affected families be

monitored. For example, a 2018 [report: https://urban.is/4iwYzEm](https://urban.is/4iwYzEm) by the Urban Institute concluded that “although some MTW PHAs had been implementing work requirement policies for more than a decade, no systematic evaluation or attempt had been made to analyze what the impact has been on residents’ work engagement, incomes, or housing instability, or on PHAs’ administrative costs.” A 2018 [report: https://www.gao.gov/assets/gao-18-150.pdf](https://www.gao.gov/assets/gao-18-150.pdf) by the Government Accountability Office (GAO) similarly found that due to limitations in PIH’s monitoring and evaluation process, it cannot assess how MTW’s rent, work requirement, and time limit policies affect low-income tenants.

DIVERSION OF VOUCHER FUNDS AND REDUCTION IN THE NUMBER OF FAMILIES ASSISTED

Another major adverse effect of MTW noted by CBPP is that MTW has caused many fewer families to receive rental assistance than could be assisted with available funds. MTW allows a PHA to divert money out of its HCV program and provide voucher funds through MTW block grant formulas that, unlike the regular formula used at non-MTW PHAs, provides no incentive for PHAs to put HCV funds to use assisting extremely low-income households. From 2014 to 2018, MTW PHAs shifted about \$530 million a year in voucher funds (19% of their total) to other purposes or left the HCV funds unspent, as a result providing vouchers to 55,000 fewer households annually. MTW PHAs used diverted HCV funds to provide housing assistance to about 10,000 families through so-called “local programs” (for example, shallow rental subsidies), but that still left a large net cut in the number of households assisted.

MTW PHAs have used funds shifted out of the voucher program for a variety of purposes, including supplementing their administrative budgets, maintaining or renovating public housing, and developing “affordable” housing. Federal policymakers should provide more

adequate funding for these purposes directly; allowing MTW PHAs to divert voucher funds is the wrong way to address the need for more funds for public housing maintenance or the development of “affordable” housing (which is not necessarily affordable to extremely low-income renters). Vouchers reduce overcrowding and housing instability and are an effective way to cut homelessness among families with children. Vouchers can also allow households to move to neighborhoods with lower poverty rates, which raises children’s educational and earnings achievement later in life.

MTW PHAs have generally sought to allocate transferred funds to potentially beneficial purposes, but the funds often do less to help low-income people than they would if used for vouchers. A 2017 [report: https://bit.ly/42NiTMb](https://bit.ly/42NiTMb) commissioned by PHAs was able to show only modest evidence of benefits in areas where diverted funds were used, and none that came close to offsetting the sharp reduction in the number of households with rental assistance. Moreover, some MTW PHAs used funds in ways that had little or no benefit for low-income people, such as paying unusually high staff salaries, accumulating large amounts of unspent voucher funds, and otherwise wasting or misusing funds.

EARLIER STUDIES SHOWING MTW PROBLEMS

Previous NLIHC Advocates’ Guide articles summarized studies that concluded that the original MTW program was not designed to enable a meaningful demonstration and lacked a data system that could lead to an assessment of MTW’s impact – especially on residents.

An Urban Institute [June 2004 report: https://urbn.is/42NaFUK](https://urbn.is/42NaFUK) concluded that MTW was not designed as a rigorous research demonstration, and due to PIH systems, critical data on the characteristics of public housing and HCV residents had not been collected from the MTW PHA sites in a consistent and uniform fashion. That left

much of what is known about MTW’s impacts to anecdotes and piecemeal information gathering. The report also found that there was no way to determine with certainty whether individual MTW programs achieved the goal of increased work and self-sufficiency for residents.

HUD’s Office of the Inspector General (OIG) issued an [April 12, 2005 report: https://bit.ly/4IHgMSN](https://bit.ly/4IHgMSN) finding that PIH did not design the MTW demonstration to collect data. Consequently, PIH could not cite statistics showing MTW activities could be used in the future at other PHAs as models for reducing costs and achieving greater cost-effectiveness, promoting resident employment and self-sufficiency, or increasing choice for low-income households. In addition, GAO concluded that PIH could not provide comparative analyses showing the impact of MTW activities or the importance of individual policy changes.

A Government Accountability Office (GAO) [report from April 2012: https://www.gao.gov/assets/gao-12-490.pdf](https://www.gao.gov/assets/gao-12-490.pdf) found PIH did not identify quantifiable, outcome-oriented MTW performance data that would be needed to assess the results of similar MTW activities or MTW as a whole. The shortage of such data and analyses hindered comprehensive evaluation efforts, although such evaluations are key to determining the success of any demonstration program. Further, while PIH identified some lessons learned, it had no systematic process for identifying them and thus relied primarily on ad hoc information. The absence of a systematic process for identifying lessons learned limited PIH’s ability to promote useful practices that could be more broadly implemented to address the purposes of the MTW program.

GAO also found that PIH had not taken key monitoring steps to ensure MTW PHAs were complying with the MTW statute. Nor did PIH carry out annual assessments of MTW program risks despite its own requirement to do so. PIH did not have policies or procedures in place to verify

the accuracy of key information that MTW PHAs self-reported, consequently PIH could not be sure that self-reported information was accurate.

The Congressional Research Service (CRS) published a [report on June 7, 2012: https://bit.ly/3Ry6eHB](https://bit.ly/3Ry6eHB) and [updated it on January 3, 2014: https://crsreports.congress.gov/product/pdf/R/R42562](https://crsreports.congress.gov/product/pdf/R/R42562), repeating observations by the Urban Institute, OIG, and GAO that there had been no systematic evaluation of the outcomes of the policies adopted by MTW PHAs in achieving MTW goals. In addition, the report noted that as a result of both data collection issues and the program's design, PIH was not able to measure and compare the results of different PHAs' MTW policies, limiting PIH's ability to evaluate specific policies implemented by MTW PHAs.

CRS also noted that PIH suggested that MTW PHAs provided a greater number of assisted housing units than they would have been able to provide under the traditional assistance programs. CRS states, however, that the ability of MTW PHAs to assist a greater number of households may be a result of MTW PHAs reducing the assistance provided to current recipients, rather than due to savings from administrative streamlining. For example, some MTW PHAs implemented policies that reduced the amount of rental assistance that a household received, requiring tenants to pay rent above the affordability standard of 30% of their income.

CRS reported that 52% of MTW PHAs adopted higher minimum rents, 27% used flat rents (which do not vary with changes in tenant income), and 21% used stepped rents (which increase rent over time and not in relation to income). CRS writes that there was no systematic data to evaluate the assertions by MTW PHAs that the alternative rent structures they adopted led to increased tenant earnings. In addition, the CRS report showed that 30% of the MTW PHAs implemented work requirements and 15% had time limits for residents ranging from three to seven years, yet there was

no means to evaluate the impact of these policies on residents.

For HCV, 39% of the MTW PHAs conducted housing quality standard (HQS) inspections less frequently than annually, while 21% allowed private landlords to self-certify that they were meeting HQS. CRS noted that a full evaluation was not conducted to assess whether the alternative HQS inspection procedures were either more or less effective than the traditional annual inspection procedures in ensuring the quality of HCV-assisted rental units.

Another OIG [report from September 27, 2013: https://bit.ly/3S561Md](https://bit.ly/3S561Md) concluded that PIH's oversight of MTW was inadequate because it had not: (1) implemented program wide performance indicators, (2) evaluated MTW PHAs' programs according to each MTW PHA's Standard MTW Agreement policies, (3) evaluated MTW PHAs' compliance with key statutory program requirements, (4) verified MTW PHAs' self-reported performance data, and (5) performed required annual program risk assessments.

MTW Expansion

The "Consolidated Appropriations Act of 2016" authorized HUD to expand the MTW demonstration to an additional 100 high-performing PHAs over a seven-year period ending in 2022 (although PIH was still seeking to add 13 more PHAs to a new cohort in 2023). Of the 100 new Expansion MTW PHA sites, no fewer than 50 PHAs must administer up to 1,000 combined public housing and voucher units, no fewer than 47 must administer between 1,001 and 6,000 combined units, no more than three can administer between 6,001 and 27,000 combined units, and five must be PHAs with portfolio-wide awards under the Rental Assistance Demonstration (RAD). PHAs were to be added to the MTW demonstration in groups (called "cohorts"), each of which was to be overseen by a research advisory committee to ensure the demonstration of each cohort was evaluated

with rigorous research protocols and quantitative analysis, using comparisons with control groups of comparable PHAs that did not have MTW “flexibilities.” Each year’s cohort of Expansion MTW PHAs would be directed by HUD to test one specific policy change. Expansion MTW PHAs could also use additional “MTW Waivers” beyond the specific policy change of their cohort, as long as those waivers did not conflict with or interfere with their cohort study. For each cohort, separate PIH Notices were issued.

Cohort #1, “MTW Flexibilities for Small PHAs”

Notice PIH-2018-17: <https://bit.ly/3EywG10> on October 11, 2018 invited PHAs to apply for a slot in Cohort #1, “MTW Flexibilities for Small PHAs.” Cohort #1 was limited to PHAs with a combination of 1,000 or fewer public housing units and vouchers. PIH selected [31 Cohort #1 PHAs: https://bit.ly/4iABxNd](https://bit.ly/4iABxNd) on January 7, 2021. This cohort allows PHAs to use any of the regulatory waivers in the Final MTW Operations Notice (see below) which enables Expansion MTW PHAs to impose work requirements, time limits, and increased rents on residents – policies that do not address the three MTW statutory objectives. These Expansion MTW PHAs will test the overall effects of using various MTW “flexibilities” on the small PHAs and their residents. PIH will compare outcomes related to the three MTW statutory objectives between the Expansion MTW PHAs and PHAs assigned to a control group. Applicant PHAs were assigned by lottery to be Expansion MTW PHAs, waitlist PHAs, or control group PHAs. PIH’s MTW Flexibilities for Small PHAs webpage is [here: https://bit.ly/4iABxwH](https://bit.ly/4iABxwH).

“MTW Flexibilities for Smaller PHAs Cohort II”

Notice PIH 2023-20: <https://www.hud.gov/sites/dfiles/PIH/documents/PIH2023-20.pdf> announced “MTW Flexibilities II,” the last cohort, announced in August 2023. It does not go by a cohort number. It will involve additional smaller PHAs that have 1,000 or fewer combined units of public housing and vouchers. As

with Cohort 1, this last cohort will allow PHAs to use any of the regulatory waivers in the Final MTW Operations Notice (see below) which enables Expansion MTW PHAs to impose work requirements, time limits, and increased rents on residents – policies that do not address the three MTW statutory objectives. These Expansion MTW PHAs will test the overall effects of using various MTW “flexibilities,” with a focus on “administrative efficiencies.” On March 29, 2024 PIH named [14 smaller PHAs: https://bit.ly/4iABy3J](https://bit.ly/4iABy3J) to participate in this cohort. The webpage for PIH’s MTW Flexibilities for Smaller PHA Cohort II is [here: https://bit.ly/4iABy3J](https://bit.ly/4iABy3J).

Cohort #2, “Stepped and Tiered Rent” (Rent Reform)

Notice PIH-2019-04: <https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-04.pdf> on March 14, 2019 invited PHAs to apply for a slot in Cohort #2, “Stepped and Tiered Rent” (Rent Reform), designed to test “rent reform” ideas to “increase resident self-sufficiency and reduce PHA administrative burdens.” Cohort #2 was limited to PHAs with a combination of at least 1,000 non-elderly and non-disabled public housing residents and voucher households. PIH published Notice PIH-2020-21: <https://www.hud.gov/sites/dfiles/PIH/documents/pih2020-21.pdf> on August 28, 2020, with alternate rent policies different from those Notice PIH-2019-04. PIH announced on May 7, 2021 that [10 PHAs were selected: https://www.hud.gov/sites/dfiles/PIH/documents/Cohort2SelecteeAbstracts050721.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/Cohort2SelecteeAbstracts050721.pdf) to participate in Cohort #2. Each Cohort #2 Expansion MTW PHA will implement one alternative rent policy:

1. Four Expansion MTW PHAs will test “tiered rents” (also known as “income bands”). PIH set 13 tiers at \$2,500 increments. Within each tier a household’s rent is fixed, based on 30% of income at the midpoint of the tier. All households in a tier will pay the same rent. Household income will be recertified every three years. A household’s rent will not change in between triennial recertifications

even if their income decreased to a point that would place them in the tier below. Similarly, if a household's income increased, their rent would not increase to a point that would place them in the next higher rent tier. In either situation, a household's rent would not decrease or increase until after their triennial income recertification. The minimum rent will be \$50.

2. Five Expansion MTW PHAs will test "stepped rents," a form of time limit with a household's rent payment starting at 30% of its gross income (not adjusted income as in the regular programs) or the minimum rent of \$50, increasing each year by an annual fixed, stepped increase, regardless of a household's income. The Expansion MTW PHA will choose the size of the annual stepped rent increase, but it may not be less than 2% of the Fair Market Rent (FMR) or greater than 4% of the FMR (adjusted for unit size). Each year, an Expansion MTW PHA may review and adjust the annual stepped rent increase. Note that by using gross income instead of adjusted income, households will already be in danger of paying more rent.
3. One Expansion MTW PHA could propose a tiered or stepped rent that is different from the two PIH rent policies above. The Expansion MTW PHA proposing an alternative policy must be able to ensure a sample size of at least 4,000 existing non-elderly, non-disabled households.

Cohort #2 Expansion: MTW PHAs can also use other MTW waivers, as outlined in the [Final Expansion MTW Operations Notice: https://bit.ly/4ILfFkT](https://bit.ly/4ILfFkT) (summarized below), except for six waivers described in Notice PIH-2020-21. NLIHC urged PIH not to implement this cohort because of its serious potential to impose cost burdens or housing instability on residents. NLIHC has a detailed [Summary of MTW Cohort #2, Rent Reform: https://bit.ly/3S2E9Zc](https://bit.ly/3S2E9Zc). PIH's Expansion MTW Rent Reform webpage is [here: https://bit.ly/3EywvTm/cohort2](https://bit.ly/3EywvTm/cohort2).

Cohort #3, "Work Requirements" – Cancelled

[Notice PIH 2021-02: https://bit.ly/42WaRlf](https://bit.ly/42WaRlf) invited PHAs to apply for a slot in Cohort #3, "Work Requirements." NLIHC and other advocates vehemently opposed the Work Requirements waivers. [Notice PIH-2021-18: https://bit.ly/42WaRlf](https://bit.ly/42WaRlf) rescinded the Work Requirements Cohort in order to be "responsive to the economic realities and current needs of low-income families." NLIHC had a detailed [Summary of MTW Cohort #3, Work Requirements: https://bit.ly/3Emk0KE](https://bit.ly/3Emk0KE).

Cohort #4, "Landlord Incentives"

[Notice PIH 2021-03: https://www.hud.gov/sites/dfiles/PIH/documents/2021-03pihn.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/2021-03pihn.pdf) on January 7, 2021 invited PHAs to apply for a slot in Cohort #4, "Landlord Incentives," which will evaluate activities to encourage landlords to participate in the HCV program. PIH identified seven MTW activities in the [Expansion MTW Operations Notice: https://bit.ly/4ILfFkT](https://bit.ly/4ILfFkT) (see description below) that have the potential to act as landlord incentives and that any Expansion MTW PHA can use. In addition, PHAs selected for this cohort must use one of two "Cohort #4-Specific MTW Waivers." Together, the seven MTW Operations Notice landlord incentive waivers and two Cohort Specific MTW Waivers are referred to as the "Cohort #4 MTW Activities List." PHAs in Cohort #4 must implement at least two activities from the Cohort #4 MTW Activities List. [Twenty-nine PHAs: https://www.hud.gov/sites/dfiles/PIH/documents/LandlordIncentivesCohortSelecteesJanuary2022.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/LandlordIncentivesCohortSelecteesJanuary2022.pdf) were selected on January 27, 2022 for the Landlord Incentives Cohort.

The two Cohort #4-Specific MTW Waivers are:

- Waiver of the requirement for a PHA to conduct a Housing Quality Standards (HQS) inspection of a potential unit to rent with a voucher before a household moves into a

unit. However, one of the following “Safe Harbors” must be met: a) the unit is less than five years old; b) the unit passed an HQS inspection (or equivalent inspection) within the previous three years; or c) the unit is located in a census tract with a poverty rate less than 10%. A tenant must be able to request an interim inspection.

- Waiver allowing a front-end vacancy loss payment if a previous tenant was not an HCV household.

The seven Landlord Incentive MTW activities available to all Expansion MTW PHAs as well as Cohort #4 MTW PHAs are:

1. Vacancy Loss payments – paying a landlord up to one-month contract rent as reimbursement for time a unit is vacant in between voucher households. This applies only when an HCV household leaves a unit and the next tenant is also an HCV household.
2. Damage Claims – paying a landlord reimbursement for tenant-cause damages after accounting for any security deposit.
3. Other Landlord Incentives – providing a landlord an incentive payment (such as a bonus for agreeing to participate in the HCV program) up to one month of contract rent.
4. Pre-Qualifying Unit Inspections – Allowing units to be pre-inspected for HQS approval to accelerate the lease-up process and minimize a landlord’s lost revenue during a period of vacancy.
5. Alternative Inspections Schedule – Allowing units to be inspected less frequently than annually, but at least once every three years.
6. Using a payment standard between 80% and 150% of the Small Area Fair Market Rent (SAFMR).
7. Using a payment standard between 80% and 120% of the FMR.

The usual payment standard is between 90% and 110% of either the SAFMR or FMR.

For both the SAFMR and FMR options, PIH strongly encourages an MTW PHA to adopt a hold harmless policy (or a gradual phase-in), to limit the impact of *reductions* in payment standards, because reduced payment standards would likely discourage some landlords from participating and can cause households that already have a voucher to pay more for rent.

NLIHC has a detailed [Summary of MTW Cohort #4, Landlord Incentives](https://bit.ly/4IMFgK7): <https://bit.ly/4IMFgK7>. PIH’s Expansion MTW Landlord Incentives webpage is [here](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/mtw/expansion/landlordincentivescohort): https://www.hud.gov/program_offices/public_indian_housing/programs/ph/mtw/expansion/landlordincentivescohort.

Cohort #5, “Asset Building”

PIH posted [Notice PIH 2022-11](https://bit.ly/3EEuepA): <https://bit.ly/3EEuepA> on April 26, 2022 inviting PHAs to apply to participate in the MTW Asset Building Cohort that will experiment with policies and practices that help residents build financial assets and/or build credit. For the purpose of this cohort, asset building is defined as activities that encourage the growth of assisted residents’ savings accounts and/or that aim to build credit for assisted households. [Eighteen PHAs were selected](https://bit.ly/4iyFTV4): <https://bit.ly/4iyFTV4> on September 27, 2022 to participate in the Asset Building Cohort. PIH’s Expansion MTW Asset Building webpage is [here](https://bit.ly/3YbgGZu): <https://bit.ly/3YbgGZu>.

PIH offered three asset building options for PHAs that wanted to participate in the Asset Building Cohort:

- **Opt-Out Savings Account Option.** A PHA must deposit at least \$10 per month for at least one year into an escrow account for the benefit of assisted households (either public housing or HCV households) with the goal of increasing the number of households that have bank accounts, thereby strengthening household stability.
- **Credit Building Option.** For residents who have given their formal consent, a PHA must

report to credit bureaus, those residents' public housing rent payments for at least one year. The goal is to increase the credit scores of public housing households. A household may withdraw at any time. This option is not available for HCV households because of the difficulty of having individual landlords report to credit bureaus.

- **PHA-Designed Asset Building Option.** This option allows a PHA to design its own local asset building program that encourages the growth of savings accounts and/or aims to build credit for assisted households.

Before implementation of the Asset Building Cohort, NLIHC and consumer advocates conveyed to PIH concern that the credit building option would require Expansion MTW PHAs to report public housing residents' rent payment using "full file reporting," meaning that not only will on-time rent payments be reported, but late and missed payments would also be reported. NLIHC and others urged PIH to only require Expansion MTW PHAs to report on-time rent payments, which the three major credit reporting entities can accommodate. Full file reporting can harm residents if they encounter only one or two slightly late or small missed payments that are episodic due to unforeseen circumstances and otherwise not indicative of serious rent payment problems. NLIHC also urged PIH to define "small" unpaid balances so that participating Expansion MTW PHAs do not report minor unpaid rent balances, resulting in damage to a household's credit. As one potential definition of "small," NLIHC informed PIH that starting in 2023, the major credit reporting agencies will not include medical collection debt under \$500. PIH did not implement NLIHC's recommendations. NLIHC has a detailed [Summary of MTW Cohort #5, Asset Building: https://bit.ly/3RzIZgn](https://bit.ly/3RzIZgn).

EXPANSION MTW OPERATIONS NOTICE

PIH posted the final "[Operations Notice for the Expansion of the Moving to Work \(MTW\) Demonstration Program](https://bit.ly/4LfFkT)": <https://bit.ly/4LfFkT> in the *Federal Register* on August 28, 2020. The Operations Notice is a lengthy and detailed document that establishes requirements for implementing the MTW demonstration for PHAs applying for and carrying out the MTW Expansion slots. NLIHC has a 37-page [Summary of Key Provisions of the MTW Operations Notice: https://bit.ly/42Yr89b](https://bit.ly/42Yr89b), including a summary of NLIHC's primary concerns about MTW waivers allowing work requirements, term-limited assistance, "rent reforms" causing residents to pay more than 30% of their adjusted income for rent and utilities, and allowing lower HCV payment standards at 80% of FMRs or Small Area FMRs. NLIHC is also concerned about allowing an Expansion MTW PHA to spend up to 10% of its HCV Housing Assistance Payment (HAP) for so-called "Local, Non-Traditional Activities," such as shallow rent subsidies, services to low-income people who are not public housing or voucher tenants, and gap financing to develop Low Income Housing Tax Credit (LIHTC) properties. An Expansion MTW PHA may spend even more than 10% by seeking PIH approval.

Appendix I of the Operations Notice, "MTW Waivers," is a chart of "MTW activities" that Expansion MTW PHAs may implement without HUD approval, as long as they are implemented with the "safe harbors" tied to the specific, allowed MTW activity.

Appendix II has instructions for any required written impact analyses and hardship policies. Impact analyses are required for certain activities, such as Work Requirements, Term-Limited Assistance, Stepped Rent (effectively time limits), and rent increase policies. Written financial and other hardship policies must be developed for most MTW activities.

Appendix III explains the method for calculating the requirement that Expansion MTW PHAs house substantially the same number of families as they would have without MTW.

An Expansion MTW PHA must implement at least one “reasonable rent policy” listed in Appendix I during the term of its MTW designation. Several of the so-called rent policies can harm residents. For example:

- Stepped rent is a form of time limit, and a household’s rent payment can start at 32% of gross income or 35% of adjusted income, growing each year (note that this differs from the Cohort #2 initial rent of 30% of gross income).
- A minimum rent of \$130 per month can place a significant rent burden on households.
- Tenant rent as a modified percentage of income causing households pay 35% of income imposes a cost burden. It shifts limited resources away from food, medicine, transportation to jobs, childcare, and other basics. Imposing a cost burden does not address the statutory goals of the MTW demonstration (providing incentives for resident self-sufficiency and increasing housing choices) and fails the statutory requirement of having a “reasonable” rent policy.
- Allowing an Expansion MTW PHA to make households (including elderly and disabled households) who are initially renting a home with a voucher to pay more than 60% of their income for rent causes households to be severely cost burdened, and shifts limited household resources away from food, medicine, transportation to jobs, childcare, and other basics. Imposing a cost burden does not address the statutory goals of the Expansion MTW demonstration and fails the statutory requirement of having a “reasonable” rent policy.

FOUR TYPES OF MTW WAIVERS

There are four basic categories of waivers:

MTW Waivers: Expansion MTW PHAs may conduct any activity/policy in Appendix I without PIH review and approval. However, each specific eligible activity/policy has specific “safe harbor” requirements/limitations that an Expansion MTW PHA must follow, for example requiring a hardship policy or not applying an activity/policy to elderly people.

Safe Harbor Waivers: Expansion MTW PHAs may request PIH approval to expand an MTW Waiver activity/policy in Appendix I in a way that is inconsistent with the safe harbors for that specific MTW Waiver activity/policy. When submitting a Safe Harbor Waiver, an Expansion MTW agency must hold a public meeting to specifically discuss the Safe Harbor Waivers. This meeting is in addition to following the PHA Plan public participation process requirements. The Expansion MTW PHA must consider, in consultation with the Resident Advisory Board (RAB) and any tenant associations, all of the comments received at the public hearing. The comments received by the public, RABs, and tenant associations must be submitted by the Expansion MTW PHA, along with the Expansion MTW PHA’s description of how the comments were considered, as a required attachment to the MTW Supplement (see below).

Agency-Specific Waivers: Expansion MTW PHAs may seek PIH approval for an Agency-Specific Waiver in order to implement additional activities not among those in the Appendix I. The request must have an analysis of the potential impact on residents as well as a hardship policy. An Expansion MTW PHA must follow the same public participation process described above for Safe Harbor Waivers.

Cohort-Specific Waivers: Expansion MTW PHAs may be provided Cohort-Specific Waivers if additional waivers not included in Appendix I are necessary to allow implementation of the

required cohort study. Cohort-Specific Waivers will be detailed in the applicable Selection Notice for that cohort study.

EXPANSION MTW SUPPLEMENT TO PHA PLAN

Expansion MTW PHAs must submit an “[MTW Supplement](https://bit.ly/4izUijL)”: <https://bit.ly/4izUijL> to their Annual PHA Plans. The MTW Supplement must go through a public process along with the Annual PHA Plan, following all of the Annual PHA Plan public participation requirements. So-called “Qualified PHAs,” those with fewer than 550 public housing units and vouchers combined, are required to submit an MTW Supplement each year even though Qualified PHAs are not required to submit Annual PHA Plans. See the *Public Housing Agency Plan* section of this *Advocates’ Guide*.

EVALUATION

While the 2016 appropriations act creating the MTW Expansion required all Expansion MTW PHAs to be subject to “evaluation through rigorous research,” the Operations Notice only requires the cohort-specific waivers to be rigorously evaluated. The evaluation terms are much shorter than the 20-year period an Expansion MTW PHA will have MTW waivers: five years for the MTW Flexibilities for Small PHAs, six years for Rent Reform, four years for Landlord Incentives, and five years for Asset Building.

In addition to their cohort-specific MTW waiver, each Expansion MTW PHA can apply other MTW Waiver Activities that will merely be subject to so-called “program-wide evaluations.” The Operations Notice states, “HUD intends to develop a method for program-wide evaluation that is based, to the extent possible, on information already collected through existing HUD administrative data systems, although additional reporting may be necessary to effectively evaluate MTW.” In addition, PIH “would seek to assess whether or not, and to what extent, MTW agencies achieve the statutory objectives of the Expansion MTW

demonstration by using federal dollars more efficiently, helping residents find employment and become self-sufficient, and/or increasing housing choices for low-income families.” Program-wide evaluation would also seek to determine any effects, positive or negative, of MTW waivers and funding flexibilities on residents. NLIHC notes that limiting the program-wide evaluation to the three statutory objectives will not adequately address negative effects on residents. In addition, HUD’s existing administrative data systems are not able to assess the impacts on the three statutory objectives let alone other adverse consequences for residents. Finally, the Expansion MTW webpages do not contain any information regarding the ongoing work of each cohort’s research advisory team; consequently there is no preliminary indication of the impact of a cohort’s waivers on residents.

For More Information

NLIHC’s Public Housing webpage has materials about the Moving to Work Demonstration (MTW), <https://bit.ly/3WqWq2C>.

NLIHC’s Summary of Key Provisions of Moving to Work (MTW) Demonstration Operations Notice, <https://bit.ly/3VfDyCA>.

Center on Budget and Policy Priorities, <https://www.cbpp.org/research/topics/housing>.

PIH’s Moving to Work website, <https://bit.ly/3RALTBw>.

PIH’s MTW Expansion webpage, https://www.hud.gov/program_offices/public_indian_housing/programs/ph/mtw/expansion.

Reader-friendly versions of the Expansion MTW Operations Notice:

- Sections I-V, <https://www.hud.gov/sites/dfiles/PIH/documents/FinalMTWExOpsNoticePartsl-VWeb.pdf>.
- Section VI, <https://www.hud.gov/sites/dfiles/PIH/documents/FinalMTWExOpsNoticePartsl-VWeb.pdf>.