

Summary of MTW Cohort #4 Asset Building

Ed Gramlich, NLIHC, April 28, 2022

HUD's Office of Public and Indian Housing (PIH) posted [Notice PIH 2022-11](#) inviting public housing agencies (PHAs) to apply to a new Moving to Work Demonstration (MTW) cohort that will experiment with policies and practices that help residents build financial assets and/or build credit. For the purpose of this new MTW "Asset Building Cohort" (Cohort #4), 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.

PIH is offering three asset building options for PHAs that want 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 Housing Choice Voucher (HCV) households) with the goal of increasing the number of households that have bank accounts, thereby strengthening household stability.
- **Credit Building Option.** A PHA must report public housing rent payments for at least one year, of residents who given their informed consent, to credit bureaus. 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, probably 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.

A PHA can choose to implement both the Opt-Out Savings Account and the Credit Building options. If it chooses to do so, PIH suggests it submit an MTW application under the third, "PHA-Designated Asset Building Option." More details about the options are presented below.

An email to stakeholders from indicates that PIH anticipates adding 30 PHAs to the Asset Building Cohort, 19 PHAs with at least 1,000 combined units of public housing and HCVs, plus 11 PHAs with between 1,001 and 6,000 combined units of public housing and HCVs. This will bring the total number of PHAs participating in the MTW Demonstration to 100. Notice PIH 2022-11 states that PHAs selected for the Asset Building Cohort must participate in a "Community of Practice" that will seek to develop ideas and best practices in furthering the goals of asset building initiatives. PHAs interested in participating in this cohort must submit an application by July 28. PIH will hold an informational webinar about this cohort on May 24.

In short, under MTW HUD can waive nearly all provisions of the "United States Housing Act of 1937" and the accompanying regulations. This includes most of the main rules and standards governing HCVs and public housing. MTW agencies are also allowed to shift public housing Capital and Operating Funds and HCV assistance (including Administrative Fees as well as Housing Assistance Payment, HAP) to purposes other than those for which they were originally

appropriated – referred to as “fungibility”. More about the MTW Demonstration expansion is at the end of this article.

The Opt-Out Savings Account Option

Under this option, a PHA must contribute at least \$10 per month into an escrow or personal savings account of a public housing or HCV household voluntarily participating in a PHA’s savings program implemented under the Opt-Out Savings Account Option. The amount of contributions are not tied to a household’s income. The funds must be able to accrue for at least one year or until the account reaches \$120. The maximum amount that a PHA may contribute per month cannot exceed the fair market rent (FMR) of a household’s unit. A PHA may choose to supplement a savings program above the FMR maximum with other private and/or non-federal public funding sources.

A PHA may not place any restrictions on how a household uses the funds it eventually accumulates after one year. A PHA may establish guidelines that allow a household to access accrued funds before the end of one year if there is an urgent need. A PHA must develop and implement a strategy to connect households with banking resources and ensure that the banking resources maximize access to banking while minimizing fees and other risks. A household can opt-out at any time.

A household that volunteers to participate is not required to sign a contract and is not required to meet eligibility requirements such as those in the Family Self-Sufficiency (FSS) program.

A PHA must offer the savings program to at least 25 public and/or HCV households, but it may not offer the savings program to more than 50% of its assisted households without HUD approval.

The Credit Building Option

Under this option, a PHA would report the rent payments of public housing households to one or more credit bureaus for at least one year with the goal of building credit for those households. A PHA must have an informed consent process for public housing households agreeing to participate. Note, HCV households will not be able to participate in the Credit Building Option, probably due to the difficulty of securing agreement private landlords to undertake such reporting.

A PHA must report all public housing rent payments (on-time, late, and missed rent payments) to one or more credit bureaus at regular intervals. Rent reporting should be done according to standard practices that protect consumers, “such as not reporting unpaid balances that are small.” During the informed consent process, a PHA must explain potential risks and benefits of participating in a credit building program. After deciding to participate in a credit building program, a household may contact the PHA and withdraw their participation at any time.

A PHA must offer the credit building program to at least 25 public housing households, but it may not offer the credit building program to more than 50% of its public housing households without HUD approval.

Required Public Participation Process

An Asset Building Cohort MTW Plan and application package must undergo a public participation process that includes publishing a notice that a hearing will be held regarding a full MTW Plan and application package. That hearing is to discuss the Asset Building Cohort MTW Plan and Asset Building Initiatives Information and to invite public comment. A draft MTW Plan and Asset Building Initiatives Information must be available for public inspection for at least 30 days before an MTW Plan and application package is submitted to HUD. A PHA's Board of Commissioners must approve the MTW Plan and application package by resolution no less than 15 days after the public hearing.

An Asset Building Cohort MTW Plan should provide a PHA's vision for its local MTW program and the unique challenges and opportunities that participation in the MTW Demonstration Program would bring. The vision should be described as it relates to the three statutory objectives of the MTW Demonstration Program – cost effectiveness, resident self-sufficiency, and housing choice.

An MTW Plan should discuss how a PHA plans to continue to engage assisted households, as well as the broader community and stakeholders, in the implementation and development of its Asset Building Cohort MTW program. A PHA should describe any planned engagement efforts with the local community, including any outreach to racial and ethnic minorities, persons with limited English proficiency, persons with disabilities, families with children, and groups representing such persons.

NLIHC Concerns and Recommendations Regarding the Credit Building Option

- The Notice requires public housing households participating in the Credit Building Option to “enroll through an informed consent process.” NLIHC will urge PIH to work with consumer-oriented organizations to develop and circulate to cohort PHAs a sample consent form in order to ensure meaningful, well-informed resident consent.
- The Notice requires PHAs to report participating public housing households' rent payments, including on-time, late, and missed rent payments. NLIHC had urged (and will continue to urge) PIH to only report positive, on-time rent payments.
- While suggesting PHAs not report unpaid rent balances that are “small,” it does not define or suggest a range of delinquent payments that a PHA might consider to be “small.”
- PIH should define “late” rent payment to be at least “30 plus days,” and encourage a longer period.

Brief Background on MTW Expansion

In 1996, Congress established MTW initially authorizing HUD to admit up to 30 PHAs into the demonstration. Congress later increased that limit to 39 by 2011. Under MTW, HUD can waive nearly all provisions of the “United States Housing Act of 1937” and the accompanying regulations. This includes most of the main rules and standards governing vouchers and public housing, with some exceptions such as civil rights, labor, and environmental laws. MTW agencies are also allowed to shift public housing Capital and Operating Funds and HCV

assistance (including Administrative Fees as well as Housing Assistance Payment, HAP) to purposes other than those for which they were originally appropriated – referred to as “fungibility”. No matter how funds are mixed, they will now be called “MTW Funding.”

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 to end in 2022. PHAs were to be added to the MTW demonstration in groups (cohorts), each of which will be overseen by a research advisory committee to ensure the demonstrations are evaluated with rigorous research protocols, quantitative analysis, and comparisons to control groups. Each cohort of MTW sites will be directed by HUD to test one specific policy change.

The MTW statutory objectives are to reduce costs, give households incentives to achieve economic self-sufficiency, and to increase housing choice. The statute requires MTW agencies to: 1) serve the same number of low-income families as they would without MTW funding flexibility; 2) serve a mix of families by size comparable to the mix they would have served if they were not in MTW; 3) ensure that 75% of the families they assist have income at or below 50% of area median income; 4) ensure that assisted units meet housing quality standards; and 5) establish a reasonable rent policy.

The MTW Expansion cohorts initially were numbered, but with the withdrawal of the work requirements cohort (Cohort 3) PIH is dropping the numbering system in their titles. However, the PIH Notices associated with them had those original numbers are:

- Cohort 1 evaluates the overall impact of MTW flexibilities on PHAs with fewer than 1,000 units.
- Cohort 2, rent reform, evaluates the impacts of different rent structures (see *Memo*, [5/17/21](#)). NLIHC has a [detailed summary and critique](#) of Cohort 2
- Cohort 3 was to evaluate the impacts of work requirements; however, PIH withdrew work requirements (see *Memo*, [6/1/21](#)).
- The landlord incentives cohort, initially called “Cohort 4,” will evaluate incentives to landlords to participate in the Housing Choice Voucher (HCV) program (see *Memo*, [2/7](#)).

PIH has added a total of 70 PHAs to the MTW Demonstration since January 2021.

Notice PIH 2022-11 is at <https://bit.ly/3vGL4vC>

More information about the MTW expansion is on NLHC’s public housing webpage, <https://bit.ly/3rVoezs> and on [page 4-63](#) of NLHC’s *2022 Advocates’ Guide*.

PIH’s MTW Expansion website is at <https://bit.ly/3vGMMNy>