

HCV Best Practices: Payment Standards Q&A

1. I have never used the Two-Year Tool. Is there any training for this?
 - a. **Panelist response:** Visit this [link](#) and click on 'HCV Training Videos.'
2. What is the process for applying to use payment standards at 111% to 120%?
 - a. **Panelist response:** To apply for the Streamlined Regulatory Waiver payment standards, you need to review [PIH Notice 2022-9](#). It provides information on what is required to apply. Waiver requests must be submitted by September 30, 2022.
 - b. **Additional response:** Once the waivers have expired, the provisions of 24 CFR 982.503 are applicable. Per this regulation, the HUD Field Office may approve an exception payment standard amount from above 110% of the published FMR to 120% of the published FMR (upper range) if the Field Office determines that approval is justified by the median rent method, the 40th percentile rent, or the Small Area FMR method.
3. Does using 110% of the Fair Market Rent as the basis for the payment standard require a board resolution?
 - a. **Panelist response:** Different PHAs operate differently. But either the board has to have a resolution adopting how you're going to set the payment standards, or that information has to be contained in your Administrative Plan, explicitly stating the basis for establishing payment standards if you're changing, for example, from 100% to 110%. Take a look at your agency's plan to determine whether or not this is considered a significant amendment. Changes in payment standard policies could require inclusion in the agency plan and be subject to the public comment requirements.
4. What information does HUD require for the exception waiver? I have the approval but not quite sure how to move forward with it.
 - a. **Panelist response:** If you currently have approval from HUD, you can roll it out just like you would any other payment standard change that you make to your program. Select an effective date, and begin implementing with any annual reexaminations, new admissions, and change of units after that date.
5. Have any PHAs been approved for payment standards above 120% of the FMR? And if so, who are they?
 - a. **Panelist response:** For information regarding PHAs approved for exception payment standards above 120% of the FMR, contact your local Field Office.



6. If HUD approves a payment standard for the 50th percentile, do they exclude rental units that are luxury or above a certain threshold?
- a. **Panelist response:** When HUD is completing market surveys to establish FMRs, they exclude substandard units and newly constructed units. But when looking at the 50th percentile of the rental market, HUD does not exclude luxury units.
7. Will HUD be extending the payment standard waiver period?
- a. **Panelist response:** Currently, there is no planned extension. This is subject to change via the publication of new guidance from HUD. If you believe that payment standards above 110% of the FMR are needed, start following the instructions contained in 24 CFR 982.503 to make an official request to HUD to set payment standards at this higher level.
8. Regarding the good cause for requesting a waiver in PIH Notice 2022-09, is the 85% success rate referring to applicants off the waiting list or all vouchers issued? For example, an in-house move or port-in?
- a. **Panelist response:** The notice states: “Less than 85% of the vouchers that the PHA has issued in the last six months have leased.” That would include any vouchers issued over the past six months. Utilize the Success Rate Tracking tab in the Two-Year Tool to verify this data or look for reporting that may be available within a PHA’s system of record.
9. If a waiver was granted, does it expire on December 31, 2022? If so, what happens to those payment standards in January 2023?
- a. **Panelist response:** The payment standards in 2023 should be based off the basic range between 90% and 110% of the 2023 FMRs, which are generally published in the fall to be effective October 1. Be sure to refer to your Administrative Plan to ensure decreases in payment standards are properly processed. Refer to PIH Notice 2018-01 as it relates to the PHA’s options on how to handle payment standard decreases, as there are three different options.
10. Can you touch on the impacts to a PHA's administrative fee when implementing some of these strategies? If increasing PUC could affect the number of families being served, then UMLs could decrease administrative fee revenue.
- a. **Panelist response:** If a PHA increases its payment standards, per unit costs (PUC) will increase, which potentially could result in fewer vouchers that could be leased. This does have the potential to decrease the maximum administrative fees that can be earned. If a PHA is already maximizing its available funding, it may not be appropriate to use exception payment standards. However, if the agency is struggling to utilize its funding, has low success rates, or has a payment standard that is not competitive with the

current market, then more vouchers could be leased with a higher payment standard, resulting in more fees being earned.

11. Can you explain approving payment standards above 110% of the FMR as a reasonable accommodation (i.e., not needing HUD approval up to 120%)?
 - a. **Panelist response:** If a disabled household identifies a unit that meets the family's unique needs and the gross rent exceeds the payment standard, an exception payment standard of up to 120% of the FMR can be granted for the specific unit. The file should be documented to explain the justification for the higher amount.
12. Is it hard to change an agency from using a payment standard across the board to using a payment standard based on ZIP codes?
 - a. **Panelist response:** It requires approval by HUD and by the board through an amendment to the Administrative Plan. Due care should be taken to ensure that staff understand the differences and that your software can handle multiple payment standards. Briefing materials should be updated to address the change as well.
13. What waivers can I apply for in PIH Notice 2022-19?
 - a. **Panelist response:** PIH Notice 2022-19 allows PHAs to apply for three waivers:
 - i. Increasing the payment standard during the HAP Contract term – meaning PHAs can process payment standard increases through an interim recertification instead of through an annual recertification.
 - ii. Term of Voucher: Extensions of Term – meaning PHAs can extend vouchers beyond the voucher issuance policy listed in their Administrative Plans, without amending their Administrative Plans.
 - iii. Voucher Tenancy: New Payment Standard Amount – meaning PHAs can set their payment standards between 111%-120% of the FMR or SAFMR.
14. If a PHA wants to change their payment standards but does not have a waiver, do we have to wait 12 months from the last time we changed them? Or can we change them at any time provided we notify tenants appropriately?
 - a. **Panelist response:** There's no statutory restriction on the timing of changing payment standards. However, you will need to be mindful of the requirements for changing your Administrative Plan and whether those would constitute significant amendments to your agency plan that may require a public comment period.

15. Can you speak to applicability of exception payment standards on MTW agencies versus other PHAs?
- a. **Panelist response:** The impact on MTW agencies must be analyzed on a case-by-case basis. MTW agencies have a lot of local discretion to set their payment standards and other rent-setting policies in a way that meets their objectives for encouraging families to return to work. In some instances, payment standards aren't needed because families get flat subsidies.
16. With the events of the last two years (landlords not getting paid by the general public, trying to make up for past losses, increased costs in utilities, and increased wages across the board), can we anticipate a dramatic increase in our FMRs this year?
- a. **Panelist response:** FMRs are based on rents in the market in the preceding year on a jurisdiction and ZIP code basis. Changes will vary by jurisdiction based on local rental dynamics. It is important that all PHAs gather, monitor, and analyze data, so that they can present the data to HUD if they need to request exception payment standards or Set Aside Funding.
17. When we talk about success rate tracking for the purposes of leasing, does this include all voucher holders such as change of units and new voucher holders coming off the waiting list or just new vouchers issued from the waiting list? I believe my software combines them into one.
- a. **Panelist response:** If you are looking at success rates of voucher holders for leasing purposes, then you need to track the success rate of new vouchers issued from your waiting list. The Two-Year Tool is only looking at the success rate of people coming off the waiting list, because it's looking at what voucher issuance activity is going to result in increased leasing.
18. According to the answer that was provided regarding using the option to change the payment standard at an interim, are you implying that all previously performed annuals should be redone as an interim?
- a. **Panelist response:** Yes. Any annual recertification with a 2022 effective date that was completed prior to the implementation of a high payment standard will not receive the benefit of the 120% FMR if the family does not move to a new unit after the implementation unless the PHA completes an interim to increase the payment standard to 120%. For example, if a PHA implemented a higher payment standard to 120% effective June 1, 2022, all families who have an annual re-exam effective prior to that date will not benefit from the increased payment standard if an interim recertification is not done for that family.
19. Does the Two-Year Tool monitor both PBV and HCV?
- a. **Panelist response:** Yes, it monitors both the leased HCV and PBV vouchers.

20. Isn't there a concern that if payment standards are increased to 120% of the FMR, program participants may be limited in their portability options since other PHAs may not be able to absorb vouchers? A PHA doesn't want a significant percentage of their program funds being utilized for families residing in other jurisdictions.
- a. **Panelist response:** When a family ports, the payment standard of the receiving PHA is applicable. The payment standards of the initial PHA are not utilized. In addition, the PHA has the option to absorb or bill. If the receiving PHA bills the initial PHA, the costs are carried by the initial PHA. PHAs with higher portability per unit costs that are being administered by other PHAs should refer to PIH Notice 2022-14 to determine if they are eligible for Set Aside Funding.
21. If we implement new payment standards, can we start changing at annuals and new admissions or is there something special we have to do at a certain month?
- a. **Panelist response:** Once you receive approval for higher payment standards, you can implement them with new admissions as well as unit transfers and then in any month following approval. Be sure to follow the policies in your Administrative Plan.
22. If we implement 120% of the FMRs in 2022, then in 2023 the FMR increases, can we still use 120% or 110%?
- a. **Panelist response:** The waivers allowing payment standards set at 120% of the FMRs expire on December 31, 2022. If you wish to continue setting payment standards outside of the basic range, a request should be made to HUD in accordance with 24 CFR 982.503.
23. How does a PHA use the Payment Standard Analysis Tool when they are assessing a blend of SAFMR and "normal" FMRs?
- a. **Panelist response:** Pull your PIC data and separate the ZIP codes where you are using SAFMRs. Create a new Excel file. Import the "normal" FMR Excel file into the Tool of Tools and run the Payment Standard Analysis as one single payment standard. Then, run a separate Payment Standard Analysis in the Tool of Tools by selecting by ZIP code. Once you have the two tools, analyze the change in the PHA's PUC by combining the outcomes together.
24. Does the Success Rate Tracking Tool track HCV and PBV or HCV only?
- a. **Panelist response:** It tracks HCV only. In PBV, a voucher is not issued for an applicant to search for a unit; therefore, it is not subject to success rate tracking.
25. If we are in an SAFMR agency, do we have to run the tool for each of our ZIP codes?
- a. **Panelist response:** Yes. In that situation, instead of selecting 'single payment standard' as an option, select 'payment standard by ZIP code'. Then, enter the payment standard information for each ZIP code.

26. If you keep increasing your payment standard to match the rental market and prevent rent burden for your participants, will it cause increases in the PUC and what happens to your budget?
- a. **Panelist response:** Yes, you are increasing your PUC. It is important to use the Payment Standard Analysis Tool to determine the impact on your costs. To determine the impact on your HAP budget, it is important to take the PUC analysis from the Payment Standard Analysis Tool and enter the increased PUC amounts into the Two-Year Tool PUC Override column. In doing so, the PHA can see if they have sufficient funding to implement the higher payment standard.
27. If approved for a payment standard higher than 120% of the FMR, is there an approval process to stay higher than 120%? New Jersey rents are out of control, and owners are constantly increasing rents above the 120% payment standard waiver.
- a. **Panelist response:** Once an exception payment standard is approved at a particular amount—the specific amount, not the percentage of the payment standard—remains as the approved amount until such time as the amount falls in the basic range or a higher amount is approved.
28. If we decide to start using SAFMRs instead of FMRs and we have a huge jurisdiction in our state (Massachusetts), do we use just the SAFMR that is listed under our city metro area or do we have to use all of the SAFMRs in our jurisdiction?
- a. **Panelist response:** PHAs have the option of adopting SAFMRs for the entire program or specific ZIP codes as long as the PHA is not a SAFMR-designated PHA.
29. If a PHA only serves one ZIP code, can the SAFMR be used?
- a. **Panelist response:** Yes, the SAFMR for that ZIP code can be the basis for setting payment standards, but HUD approval is required in accordance with the Implementing Small Area Fair Market Rents (SAFMRs) Guidebook.
30. Is there a tool that can turn SAFMR into estimated rental rates for potential landlords to understand?
- a. **Panelist response:** There is no tool for that. However, a common practice is for PHAs to create a chart of approvable rent ranges based upon payment standards, unit types, and the tenant-paid utilities that are most common in the jurisdiction.
31. What is meant by "opting in"? Are you indicating that we need to get HUD approval to use the SAFMR?
- a. **Panelist response:** For PHAs that are not required to use the SAFMRs, a voluntary determination can be made to utilize them. This is referred to as

“opting in” and requires HUD approval in accordance with the Implementing Small Area Fair Market Rents (SAFMRs) Guidebook.

32. Are we allowed to pick and choose the unit size(s) we would like to apply the SAFMR? For example, we apply the SAFMR to certain ZIP codes and select unit sizes then all other units and ZIP codes remain at the current rate?

- a. **Panelist response:** If the SAFMR is adopted for a particular ZIP code, it must be the basis for payment standards for all unit sizes and types. HUD does not specify how many different payment standards a PHA must set or what percentage of the SAFMR to use for each ZIP code area, only that payment standards in effect for the ZIP code area are within the basic range of the applicable SAFMR. In some ZIP codes and for some unit sizes, it may be advantageous to set payment standards at the top of the basic range, while in others, a PHA may set payment standards at the bottom or middle of the range.

33. Where can I find the ZIP codes and payment standards chart?

- a. **Panelist response:** The information can be found [here](#). This webpage includes links to areawide FMRs by jurisdiction as well as SAFMRs.

