HCV Best Practices: Payment Standards

Welcome

Good afternoon, and welcome to the Payment Standards Webinar. Before we get started, please take a moment to review the directions on the screen. During the presentation, if you have any technical issues, please use the Chat Panel. If you have content related questions, please use the Q&A Panel.

Opening

Depending on the number of questions received, we may not be able to answer all of your questions today. But we plan to post an FAQ document to HUD Exchange that will address all of your questions. You'll be able to access the FAQs, the recorded webinar, and the presentation on HUD Exchange in a few weeks.

HUD Acknowledgment

Next, Charmainne Johnson-Davis will begin with discussing the agenda. Welcome to another webinar in the HCV Best Practices series.

Agenda

This afternoon, we'll talk to you about payment standards, and how they can be used to facilitate utilization. We'll discuss our shared challenges. We'll provide an overview of payment standards, a real quick look at rent reasonableness, and move into information about Fair Market Rents at the 50th percentile, regulatory waivers, exception payment standards, HUD tools, Small Area Fair Market Rents, and hopefully have some time for Q&A.

Webinar Panelist – Charmainne Johnson-Davis

Again, my name is Charmainne Johnson-Davis. I'm a Senior VP with CVR Associates. I've been in the industry for a little over 30 years, and I’ve served in executive positions for HCV Programs and in program compliance in an audit capacity.

Webinar Panelist – Michael Tonovitz

With me this afternoon is my colleague, Michael Tonovitz. He's been in the industry also for over 30 years. He's served in various roles. He recently was informed that he will be taking on a new role with the National Leased Housing Association in the very near future as its president, and we're very proud of Michael, and congratulations to him. He is a Senior VP at CVR also.

Webinar Panelist – Mike Eddins

Also joining us this afternoon is Mike Eddins. Mike is going to share his expertise and discuss how to use the HUD tools available and how they can help us make good decisions for our programs. Mike is also a VP on our CVR Associates Team.

Utilization

Utilization is a top priority for HUD. Recent HUD data indicates that 85% of available vouchers are utilized. This range is from 75 to 99%, depending upon the agency you worked with. Budget utilization is at 96% nationwide, and that ranges 99 to 110%. The percentage of available reserves is broad from 0-64%.

Utilization Continued

47 states, including U.S. territories, are leasing at less than 95% of their available units. 20 states, including U.S. territories, are utilizing 95% of their budget authority. It appears that HCV Programs are spending money and not able to lease units. Funding is a constraint, so make sure you determine what factors are impacting your agency.

Challenges

Each jurisdiction has its own unique challenges and impediments. Sometimes there aren't enough units available, and sometimes they're not affordable. Sometimes the rent exceeds the payment standards. Sometimes there's not a willingness among owners to lease to voucher holders, or there might be a lack of or poor outreach efforts at an agency. Units fail inspection. Agencies have insufficient data collection systems. Sometimes there's a lack of resources to perform short- and long-term planning and analysis.

Overview

Program administrators are encouraged to carefully consider and take advantage of regulatory flexibility to determine payment standards. The basic range is 90% to 110% of the FMR or the Small Area FMR, and all PHAs are authorized to apply a payment standard up to 120% for reasonable accommodation.

Overview Continued

Agencies have discretion to set payment standards that best meet their needs based on their constituents' needs. These regulations are codified in 24 CFR Part 982.503. The needs of voucher holders coupled with market demands are chief considerations.

Payment Standard Options

"One size fits all" may not be the best option for your agency. One area may have units that are affordable if the payment standard is at 95% of FMR or SAFMR. Another area may be affordable at 100% or higher.

Rent Reasonableness

All program administrators are required to comply with rent reasonableness regulations. HCV Program rents are intended to be consistent with the market demand. All data must be current, and the rules must be applied consistently.

Rent Reasonableness Continued

Make sure you're analyzing the data to determine if you're in line with the current market conditions. Make sure the comparable units that are used are recently leased units, and review the methodology employed overall relative to how you do rent reasonableness at your agency.

Rent Reasonableness Methodology

Some things to consider are if you allow landlords to submit their own unit comparables? If you're using a database, how are you grading units? What radius do you use- are you looking at units within a half mile, mile, two miles of the subject units? Are adjustments made for the newly rehabilitated or newly- constructed units? How are rents for Low-Income Housing Tax Credit properties or other subsidized developments determined?

When Is It Required?

You're required to do rent reasonableness, remember, whenever you do a HAP Contract, before the approval of a rent increase, whenever the Fair Market Rent decreases by 10%, and whenever HUD tells you to.

Rent Reasonableness Factors

There are key factors you must always consider: location; size; how old is the unit; what utilities are included; what amenities are being provided; are there maintenance services; what kind of unit is it- is it a great unit, is it an okay unit, is it a marginal unit; what kind of unit is it- is it a single-family home, is it an apartment, a high rise; and are there housing services provided for the unit? Always encourage owners to provide comparable rent data for any unsubsidized units that they might have, and please always remember payment standards are only intended to make units affordable and not intended to arbitrarily increase rents.

Survey Results

Before I turn it over to the next presenter, I want to talk briefly about the survey results. Thank you all very much for those of you who participated, and it looks like you'll get some good information out of this webinar. Most of you were aware of the Exception Payment Standard Waiver opportunity. About half of you said an analysis drove your decision to apply or not to apply for those waivers. About half of you use the Two-Year Tool every month, and 20% of you don't use it at all. Most of you do not use the Tool of Tools at all; so, Mike, that's your challenge to provide them with sufficient information and encourage them to use Two-Year Tool every month and the Tool of Tools at least every year. Most of you use Fair Market Rents to set your payment standards not the Small Area Fair Market Rents, so, Michael, that's a toss to you to encourage them to look at their data more closely to see if there's any advantage for them to use the Small Area FMRs in some cases. 60% of you already use the 50th percentile FMR, so I found that very interesting. And, about half of you think that you have the resources to conduct the analysis necessary to make the decision about setting your payment standards. And, fortunately, just about all of you indicated you are familiar with the rental market and are aware of your success rates.

So, with that being said, Michael Tonovitz is going to talk to you about how and when to request higher payment standards. Michael?

Fair Market Rents

Good afternoon, everyone. So, I think most of you know this, but I want to do a quick review that payment standards for housing authorities for the voucher program are typically set at between 90 and 110% of the Fair Market Rent. Fair Market Rents are an estimate of the cost of rent, plus utilities except for telephone. They are an estimate of rental rates market wide. But a lot of people don't know what that number means. It's typically set at the 40th percentile of your rental market after certain adjustments are made by HUD to exclude public housing units, also to exclude newly constructed and substandard units. So, in most instances, the Fair Market Rents (or the basis for your payment standards) [are] at the 40th percentile, meaning that about 60% of the units in your market are going to have rents that are higher than the FMR. And while that may work in some communities, in other communities, particularly those with very tight rental markets, only having 40% of your units even within the FMR is not going to work. HUD gives you discretion to go up to 110% of that FMR without any additional approvals, but that's not always going to be enough.

Strategies

So, as I've just mentioned, some markets, there are not enough rental units, if you base your payment standards on the standard 90 - 110% range. So, there are, there are several different ways that this can be overcome. There are ways to get approvals for exception payments above 110% of the FMR. There is the Exception Payment Standard Waiver (which Mike is going to delve into much later), there are Small Area FMRs, as well as FMRs at the 50th percentile.

Why Use Exception Payment Standards?

So, why would you want to use exception payment standards? There are several reasons. The first important one is as a reasonable accommodation. So, if you have a family, a disabled family, who needs a rent, that needs to be in a unit that meets their needs, and the rent for that particular unit is above your payment standard, you can get case-by-case exceptions. I think the most important reason for exception payment standards is to promote leasing, and within promote leasing for any agency that isn't really utilizing all of its funding, higher payment standards can result in higher per unit cost, also better HAP utilization. And, also, higher payment standards deconcentrate poverty and do provide families with access to neighborhoods that they might not otherwise be able to move to. And, also all the benefits and services that go with those better neighborhoods.

Reasonable Accommodations

As a reasonable accommodation, without HUD approval, you can, you can use a payment standard of up to 120% of the FMR for a family, for a disabled family. With HUD approval, you can go above 120%. What's important to note is that this is not, it's not a family-by-family approval; it's actually based upon the specific unit that the family has identified that meets their needs.

Regular Payment Standards above 110% of FMR/SAFMR

So, regular payment standards can go above 110% of the FMR (or the Small Area FMR if that's what you're using in your jurisdiction), but you do have to get HUD approval. And it is HUD's sole discretion whether or not they're going to make the approval. And there are different layers of documentation that are required and different levels of HUD approval depending on what, what you're asking for.

Exception Areas

It's HUD sole discretion to approve a payment standard that is higher than the basic range. So, this is, this is a map actually of Westchester County where HUD has approved exception payment standards that are outside the basic range. In the areas in blue, there are HUD exception payment standards. And what's, what's significant is that any housing authority that has jurisdiction where an exception payment standard has been approved can utilize it. So, for example, in Westchester County, the Greenberg Housing Authority is in an exception payment standard area. They can use these; the exception payment standards were pursued for the county-wide program, but because they have a program that's within one of these exception payment standard areas, at their discretion, they can use them without further HUD approval.

Above 110% of FMR to 120% of Published FMR

If you're looking to... One of the first steps is to pursue payment standards above 110% but up to 120%. Currently, there's a waiver in place that streamlines this process. But under normal circumstances, you would need to go to your Field Office and ask to get the payment standard increased to anywhere between 110 - 120% of the FMR. The HUD Field Office can determine that it's needed by looking at the data you've submitted, and that data can show that the median rents are above that range, that the 40th percentile rents are above that, are within that 110 - 120% range. Or, if you're looking to use Small Area FMRs, which we're going to go into a lot of detail on much later in this webinar, HUD can look and see that that the Small Area FMR method is justified. You're going to be required to present statistically representative housing survey data to justify your approval, so you're going to have to study your rental market and be able to present data to HUD showing this need. In some larger agencies, you probably have staff who are qualified to do this, but smaller agencies, you might need to look to some outside help to make sure you collect the data in the format that HUD's going to want it.

Above 120% of FMR

If you want to go up, so with 110 - 120% range, you simply have to show HUD data that the rental, that the rental market, the needs of the rental market show that you should be in that 110 - 120% range. More information is required if you want to get an approval for a payment standard that's above 120% of your FMR. And these approvals need to go to HUD headquarters to the Assistant Secretary as opposed to the Field Office. So, in addition to being supported by the data that shows that these higher payment standards represent the market, there has to be data that shows that these higher payment standards will prevent hardships for families that are assisted with vouchers and that they are justified by the program, such as that you just cannot find housing outside of high poverty areas without these higher payment standards.

HUD Approval

So, it also, you would think that, why don't you just ask for the highest that you can ask for and jump right in- for example, if you need payment standards at 130% of the FMR, to go straight to that? However, HUD will require that you be in the 110 - 120% range for six months before you can ask for anything above 120% because HUD is going to want to see data that even with, even in that 110 - 120% range, that you, that there is still a greater program need.

Population

And also, if you're going to get exception payment standards that are above the 110% level, these exception areas can only cover up to 50% of the population of your program.

Success Rate Amounts

And then there are the final pieces called success rate payment standards. In some cases, even, even with approvals to go above 110%, the data just might not make sense in your market. And you may, you can go to HUD to say, “We do not want to set the payment standards in the range based on the 40th percentile. We believe it is appropriate to set the payment standards based on FMRs that are set at the 50th percentile.” So, this is asking HUD to actually change how it determines your FMRs.

HUD Approval

HUD approval- in order to get HUD approval to change how they determine your FMRs, there is additional data that has to be submitted. So, first of all, you have to be tracking your success rates for voucher holders, because HUD is going to want to see that less than 75% of the families who have been issued a voucher in the prior six months were successful. My experience in the industry right now is every housing authority is experiencing success rates under 75%, but it's important to document it. And it also has to be success, that this is a low success rate over a long period of time. So, the next criteria for HUD is that you have to have established a payment standard at 110% for at least six months. So, like the other approvals, you have to have already shown that maximizing payment standards within your local discretion didn't work. And as I mentioned with the success rate, your low success rate has to be over an extended period of time. So, your agency will have to have already had a place, a policy in place to grant automatic extensions of vouchers of at least 90 days, meaning that your housing search times have to be a minimum of 120 days. So, ultimately, if, your success rate of less than 75% has to have been while searching for at least 120 days, if not more. Then, once success rate payment standards are set up, you can opt in for one or more unit sizes, or you can opt in just a designated part on your jurisdiction.

Data Sources

Data sources- there are a lot of places to get this data. The most common is the American Community Survey, and it is part of the Census Bureau's website. HUD considers this data to be statistically reliable. When HUD conducts its surveys for, for the FMRs, it uses a Random Digit Dialing Telephone Survey, meaning that the phone numbers are randomly called, and the people who answer are asked questions about their housing circumstance and how much rent they pay. These can also be done by mail. And then finally, if HUD has other statistically valid information that another agency has already submitted or organization has submitted and HUD considers it valid, once it's been determined valid by HUD, you are allowed to use it.

Supporting Information Example: HUD-VASH at HACLA (Proposed)

So, I want to show you one example of a request for an exception payment standard. This is actually from a few years ago, and it's from the Housing Authority of the County of Los Angeles. And in this case, they were experiencing, they were already at the 50th percentile for their FMRs. But for a subset of the program- and it was VASH participants in this case- they were experiencing housing search difficulties that were beyond other voucher holders. So, as you can see here, the agency was proposing exception payment standards at 140% of the FMRs for their VASH families. And you can see the significant difference that was going to create in those payment standards.

Supporting Information Example: HUD-VASH at HACLA (Success Rate Profile)

They also, in their submittal, they did demonstrate to HUD all the required data elements. They also showed how VASH holders were having a much lower success rate than other voucher holders. Also, what was also significant for this community is that VASH voucher holders generally wanted to live closer to the VA hospitals in that area, and those were often in opportunity areas.

Supporting Information Example: HUD-VASH at HACLA (Quarterly Vacancy Rate)

So, also, there was a, there was a history of vacancy rates dropping significantly during the preceding six years before this request was made. So, this data was also submitted to HUD as part of the request.

Supporting Information Example: HUD-VASH at HACLA (HUD's Good Cause)

So, this, what's on the screen now, this is actually language that was contained in HUD's response to the request. So, when HUD reviewed the request, and they determined that there was good cause because of the urgency of housing veterans; that housing homeless veterans was consistent with HUD's top policy priorities, that the success rate data clearly showed that VASH voucher holders were struggling, that the data showed that the housing costs were higher near medical centers. Also, in the, in the housing authority submittal, they showed how many homeless veterans there were in the community. So, HUD did confirm, "Yes, that the data shows the need." And the data continued to show that higher voucher payment standards were needed.

Supporting Information Example: HUD-VASH at HACLA (Requirements for Success Rate)

Also, I mentioned the criteria- HUD actually did affirm that the request met all of the criteria, and this is the language that was verbatim in HUD's response to the request.

Supporting Information Example: HUD-VASH at HACLA (Provided Evidence)

HUD also affirmed that the housing authority had provided sufficient evidence about the success rates of these VASH voucher holders, sufficient evidence about very low vacancy rates, and demonstrated that their existing policies had automatic extensions as required.

PIH Notice 2022-9

So, we're going to talk about Small Area FMRs later, because that was a lot to digest. So, now I'm going to turn it over to Mike Eddins, and he's going to take, he's going to take a few minutes to talk about how to work with the new streamlined regulatory waivers that are in place that can allow you to increase payment standards up to 120% of the FMR.

All right. Thank you, Michael. And good afternoon, everyone. Can you hear me okay?

Yeah, you sound great.

All right. Thanks, Jesse. My name is Mike Eddins. I'm with CVR, and I'm going to be talking to you guys today about the PIH Notice 2022-9 regarding the streamlined regulatory waivers. We'll also touch on exception payment standards again, as well as the tools and techniques that you can use to help you determine what to do as it relates to your payment standards. The payment standards are so important to a PHA in determining a number of things; specifically, in determining how families on your programs are determined to be rent burdened or not rent burdened. And, what I mean by that is payment standards basically create the cap at which house, at which the point residents are determining… the housing authority's determining the portion of rent for the resident. So, when you set your payment standards, it's important to understand what impact that has on the families in your program, and it also impacts how many families you can serve. And so, as I start to go through this, and what this means, keep in mind that the payment standards determine, a lot of times, what percentage of your families are rent burdened. The lower your payment standards are, generally, the higher percentage of families that are on your program are rent burdened, meaning they're paying more than 30% of their income towards their rent. So, when you're reviewing your payment standards, currently or annually, the key is really understanding the impact that's going to have on the families on your program. And it also helps determine how many families you can actually house moving forward.

PIH Notice 2022-9 (Continued)

And so, with PIH Notice 2022-9, it's basically the fourth of its kind in terms of what these waivers allow PHAs to do. So, the streamlined regulatory waivers were first rolled out in 2021 with PIH Notice 2021-14 which was that big COVID waiver notice with lots of waivers that you could apply, followed by a PIH Notice in December of 2021, which was 2021-34, which implemented or gave PHAs the ability to apply for these expedited regulatory waivers in which you had five different waivers that you can apply for and implement. You could apply for that through March of 2022. And then there was another notice, PIH 2022-4, which extended the opportunity of PHAs to apply for regulatory waivers through April of 2022. And so PIH Notice 2022-9 follows similar guidance from those three previous PIH notices.

Streamlined Regulatory Waivers

And so, what this current notice allows PHAs to do is one of three things or all three things. It allows PHAs to increase the payment standards for current participants during the HAP Contract term; meaning, instead of waiting to increase a participant's payment standard at a time of an annual recertification, you can process a payment standard only increase through an interim recertification. It also allows the PHA to extend the term of the voucher beyond what your current policy states, as well as allows the PHA to increase the payment standard between 111 - 120%, as opposed to the general between 90 - 110%.

Requirements

The requirements for these waivers must be received on or before September 30th, 2022. And you might be asking, "Well, why is it extended through September of 2022?" And it's because we're on, it's June 10th today, and when it comes to utilizations of programs, we're talking about half the year already being gone. And so, when you're thinking about how to best utilize your program and to maximize utilization, PHAs really needed to be starting to think about what needs to happen in 2023 and how to prepare for that here in the month of June. And so PHAs, to apply for these waivers, must provide justification for why the waiver is needed, the impact that it's going to have on the PHA's operations and utilization, and the proposed duration of the waiver, which cannot exceed December 31st, 2022. So, if you were to apply for and implement any of the three waivers, they would only be applicable through the end of 2022.

Justification of Good Cause

Applying for any of these three waivers, you would need to provide justification of good cause. For, specifically, for waivers one and two, examples of justification for good cause would be if you have voucher success rate challenges, meaning your success rate is less than, I believe, 85%; if it's taking a longer period of time for families to locate units successfully within their current jurisdiction; if you have an increased number of families that are rent burdened; or if there's housing instability issues that would possibly have a negative impact on the families within your jurisdiction. I think we all can kind of see what's happening within each of our jurisdictions; and while they're all unique markets in and of themselves, most markets that PHAs are working in at this point are seeing significant increases in what property owners are asking for in rent, which is resulting in the rents being approved at above the current payment standards, which are creating rent burdens for more of the families and potentially causing housing instability issues, because families are now paying a higher amount of their income towards the rent beyond that initial (or additional) 30%.

Waiver Three Justification

In terms of Waiver Three or Waiver Three justifications, a PHA must certify it meets one of the following good causes for this PIH Notice 2022-9. HUD has a list of about, I think it's about, 257 jurisdictions. If your PHA is listed in that notice, you would be justified to apply for this waiver because you are on that notice. In addition, if your utilization rate is currently under 98% year to date and/or has more than a 5% decrease in your utilization from 2019 through 2020. Or, if the timely leasing of vouchers, meaning your success rate is under 85% over the last six months, you would qualify for this waiver based off of that data. Additionally, the PHA must determine what budgetary impact the implementation of the waivers would have and ensure that they have sufficient budget authority to do so. We'll go through how to determine that here coming up.

Waiver One: Payment Standard Increase During HAP Contract

So, some more information about Waiver One. Waiver One is the payment standard increase during the HAP Contract term. So PHAs have that option to increase the payment standard for families at any time after the effective date of the payment standard increase, rather than waiting to the next annual re-exam. Once approved, the PHA can implement payment standards to all current families with an effective date following approval. For example, if you applied for Waiver One previously or plan on applying for it here in the future, you would be able to do interim recertification changes for all of your families, all at the same time. So, if you received approval in June, you could potentially do an interim certification to increase the payment standards for all of your current participants in the month of July with a July 1st effective date. And you might ask, “Well, why would you want to do that?” And, so, why you would potentially want to do that is when you analyze your payment standards as it relates to the participants on your program, there are some HUD tools that we'll go over that you can utilize. And you would want to use this waiver for a couple of reasons. The top reason to use this waiver would be if through your analysis and using HUD’s Payment Standard Analysis Tool, you determine that you have a significant portion of the residents participating on your program that are currently rent burdened. For example, I was on some calls with some PHAs earlier this week who had implemented Waiver One in which they decreased the rental portions for about 1,800 of their families through the use of this waiver. Because, at the time, they had a lower payment standard, and by increasing their payment standards through this waiver process, they were able to implement interim recertifications to reduce the rent burdens of 1,800 of their families at one time, which is an awesome reason to utilize this type of a waiver. Additionally, if you have utilization problems, it can be helpful in reducing any HAP reserves you may have if you have a very low success rate on your program as it relates to families being able to locate units and utilize vouchers. This could be a way to help you use some of that HAP reserve that you may have built up while also reducing the rent burdens of the families on your program.

Waiver Two: Term of Voucher Extensions

For Waiver Two, this is allowing PHAs to extend the term of their vouchers beyond what their current Administrative Plan states. PHAs should consider this specific waiver if your Administrative Plan says, “We provide 120 days to participants on our program to be able to utilize their voucher.” Through the application and approval of this waiver, you can now extend that voucher beyond what your current policy says. So, if you're only giving 120 days, you can now extend that beyond the 120 days without changing your Administrative Plan because you have this waiver, and what it will allow these participants and applicants coming off your waiting list to do, is it provides them with more time to locate units, which is specifically helpful in different jurisdictions where there's extremely tight rental markets, very limited housing availability and vacancy of units. So, it gives those applicants and participants more time to be able to utilize their voucher. A lot of a lot of our applicants on our waiting lists have waited five years or more to receive a voucher in different jurisdictions. And so finally getting an opportunity to receive that voucher and just not be able to use it is a very unfortunate situation that a lot of applicants are finding themselves in. So, looking at why you should potentially apply for this waiver would be to allow for those applicants coming off the waiting list the opportunity to locate a unit after waiting, you know, potentially years to finally receive a voucher.

Waiver Three Voucher Tenancy: New Payment Standard Amount

For Waiver Three, relating to voucher tenancy and new payment standards, PHAs may request this waiver to allow for the establishment of payment standards between 110 - 120% of the 2022 FMR or Small Area FMR. To request this waiver, the PHA must justify the request. PHAs must revert to the payment standards between 90 -110% of the 2023 FMRs or apply for an exception payment standard in 2023. So, this allows PHAs to increase the payment standards for all of your participants by applying for this specific waiver. And, why that is important is it allows those families to potentially reduce their rent burden, if you have a significant percentage of your families who are rent burdened on your program, because your payment standards at 110% are not really competitive with the actual market within your jurisdiction. And so, as you're going through the process of determining whether this is a waiver that would be helpful for the families on your program, you need to have a good grasp on what the market is actually asking for, and if your current payment standards are actually competitive with that market. A lot of times, you know, with different jurisdictions having difficulty utilizing vouchers or families being able to utilize vouchers, a lot of areas are not finding it competitive where you're able to approve a voucher at 110% of the rent or higher; but, because it's capped at that 40% amount when it relates to new admissions, families are having a more difficult time. So, if you have a low success rate or a high percentage of rent burdened families, this would be a great opportunity for you as a PHA to reduce those rent burdens and/or improve the success rates of your voucher holders within your program.

Payment Standard Decrease

The key important thing to understand as it relates to payment standard decreases- so, in 2022, if you would adopt payment standards at 120%, your payment standards are obviously going higher. In 2023, when the FMRs are approved here coming- I think it's in October that the 2023 FMRs will come out- if you find that the payment standards are decreasing because now you're going to have to use between potentially 90 - 110% of the 2023 Fair Market Rent, you could have a situation where your payment standards are now decreasing, because you're using, you know, 110% of the 2023 FMR. In those cases, you need to take a look at PIH Notice 2018-1, which allows PHAs to adopt three different options as it relates to policies in their Administrative Plan. The first option is the PHA may adopt a policy to allow PHAs to hold those residents harmless, so that no reduction in subsidy, so that there's no reduction in subsidy as long as the family continues to receive the voucher assistance in that specific unit. Meaning, if you go to 120% and applied it to your entire program, those families, if your payment standard would decrease, would not be affected by any decrease in 2023 or future decreases because they're being held harmless. Option two is a gradual reduction in subsidy, which allows the phasing of the payment standard reduction to the family's calculation of subsidy. And option three is it allows you to implement payment standard reduction using the lower payment standard at the effective date of the second annual re-exam following the decrease. So, it's important for PHAs to know that, if you are adopting any of these waivers in which your payment standard is going up to 120%, you also need to adopt a policy in your Administrative Plan as to how you want to address payment standard decreases in the future, which may be coming as soon as October 2022 when the Fair Market Rents come out for next year.

Exception Payment Standards

Okay, so we're going to talk a little bit more about exception payment standards. And, so, exception payment standards- and Michael talked about this a bit, but I want to kind of drive this point home, too-extension payment standards can be used as a reasonable accommodation, to promote leasing, or to help deconcentrate poverty. PHAs are allowed to approve higher payment standards for families as a reasonable accommodation if a family includes a person with disabilities or requires a payment standard above the basic range, and that basic range is between 90-110%. As a reasonable accommodation, the PHA may establish a payment standard for the family of not more than 120% of the Fair Market Rent. The PHA may establish a payment standard greater of 120% of the FMR by submitting a request to HUD. So, the takeaway there is, if you're working with a family who has a reasonable accommodation for a specific unit that can only be approved if you were to increase the payment standard to 120%, the PHA can go up to 120% for that family as a reasonable accommodation, so that that family can lease that specific unit that they've located.

If you wanted to use exception payment standards to promote leasing or deconcentrate poverty, the PHA may establish a payment standard amount that is higher than that basic range; the basic range being 90-110% for designated parts of the FMR area, which are called exception areas. And, they have two options in which they can do that. So, with the approval of the local Field Office, PHAs, who have not adopted Small Area FMRs, may establish an exception payment standard of above 110% and up to and including 120% of the FMR, of the metropolitan area FMR. So jurisdictionally, right, because we're not talking Small Area FMRs. The local HUD Field Office will determine whether the request is supported by appropriate justification, using either the median area rent method, or the 40th percentile method, or the Small Area FMR method, in accordance with the specified regulation.

To Promote Leasing: Option One

To use exception payment standards, exception payment standards to promote leasing, you have two options. So, HUD will approve a request only if the exception payment standard is needed to help families find housing outside of high poverty areas, or because voucher holders are having trouble finding housing to lease under the program within the voucher term. So, the key- and Michael had touched on this earlier- the key is monitoring the success rate of your families. So, families who are having trouble or voucher holders who are having trouble finding housing is most easily identified through the way that you track success rates. If your system of record, or the software that you use to monitor your residents, can pull success rate information, then that would be great for you to utilize as a way to track how successful your voucher holders are or not. If you do not have that as an option within your software, you can utilize the Two-Year Tool, and there's a tab that is in the Two-Year Tool called the Success Rate Tracking tab. And so that's the place where you would want to track the success of your voucher holders, because you're going to need to provide data as it relates to proving that you need exception payment standards. So, in relation to how you would go about, going for this option one, is the total population of the HUD-approved exception area must not include more than 50% of the population of a specific FMR. So, if you're in a county, right, and you have the majority of your families residing in five specific areas within a big city that's contained within a county, you couldn't request an exception payment standard for a specific area if the population is more than 50% of that entire FMR jurisdiction, so keep that in mind. This is really kind of limited to specific areas to promote leasing in lower poverty areas. The exception payment standard may be used for all units in that exception payment area or for all units of a given bedroom size in these areas. Any PHA with jurisdiction in the exception area may use the HUD-approved exception payment standard without requesting specific HUD approval. So, what that is saying is if you're in a county, right, that's got three different housing authorities- there's a county housing authority and two city housing authorities contained within that county- and one of the city housing authorities has an exception payment standard in an area that you have jurisdiction to place vouchers in as well, you can utilize that exception payment standard that that city housing authority previously has approval to use for an exception payment standard as a county PHA. And so, it's important to, if you're in a jurisdiction like that where you have shared or multiple PHAs within a shared jurisdiction, that you're aware of what other exception payment standards might be available to voucher holders on your program. Because what could happen is you could have a voucher holder on your program and a voucher holder on a city program, and if the city has an exception payment standard in an area and you don't, if you don't know about it, your voucher might be refused because you have a 40% issue, whereas the city voucher might be acceptable because they have an exception payment standard in that area. So, it's important to talk to your neighbors if you have a shared jurisdiction within a specific area.

To Promote Leasing: Option Two

Option two is a PHA that has not adopted Small Area FMRs may establish a Small Area FMR-based exception payment standard for a ZIP code of up to and including [110%] of the Small Area FMR as determined by HUD for that ZIP code. Regardless of the level exception payment standards compared to the metropolitan area FMR, the PHA would need to send an email to the Small Area FMR inbox and copy the local Field Office to notify that PHA has adopted an exception payment standard based on the Small Area FMR. So, what that is saying is, and what you should do in practice as it relates to this is, before you would request an exception payment standard in a certain area if you wanted to go to, say, 120% for a certain ZIP code or a couple of different ZIP codes, you should check the Small Area FMR to see if it's equal to or more competitive than the metropolitan-wide FMR, so that you're not going after a metropolitan area FMR to increase the payment standards when it might already be higher based off of the Small Area FMR. Additionally, if you choose to use a Small Area FMR as opposed to a metropolitan-wide designated area exception payment standard, the 50% limitation does not apply to that exception payment standard request. The PHA that adopts an exception payment standard pursuant to this authority must apply it to the entire ZIP code for both its HCV and, if applicable, Project-Based Voucher Program. For Project-Based Voucher Programs, this means that the rent to owner may not exceed the new exception payment standard amounts, provided that the rent is still reasonable. And any PHA within jurisdiction of that ZIP code may use that exception payment standard without requesting specific HUD approval. Again, talk to your neighbors, if they have exception payment standards. Well, talk to your neighbors in general because that's a good thing. But, talk to your neighbors to see if they have any exception payment standards that you could tap into to make areas of lower concentrations of poverty more available to your voucher holders.

Above 120%

Again, if you want to go over 120%, request for exception payment standards over 120 of the FMR must be approved by the Assistant Secretary at the request of the PHA, which also must be submitted to the local Field Office. This request will only be approved after six months from the date of HUD’s approval of any exception payment standard between 110 - 120. Meaning, you have to go up to 120 and be at 120% for six months before you can request to go over that amount. Exceptions must be necessary to prevent financial hardships for families, be supported statistically by representative housing survey data to justify HUD’s approval, and be supported by appropriate program justifications needed to help families find housing outside of areas of high poverty concentration or because voucher holders are having trouble finding housing within the voucher, within the voucher term. So, what that says to you as a PHA, it says data, data, data; collect data. Know what's going on with your program as it relates to the vouchers that you're issuing and know what areas within your county families are able to lease.

How to Apply

So, to apply and to really dive into the data, you need to use the tools that are available to PHAs. I mentioned this earlier, that success rate tracking is going to be extremely important for PHAs to monitor and understand and use to measure the success of your program. And so, if there's not something in your software, you can utilize the Two-Year Tool that has a Success Rate Tracking tab in it, so you can certainly use that. And I would highly recommend you use that tool. For payment standard analysis and determining the budgetary impact, you're going to want to use the Payment Standard Analysis Tool, which is located within the Tool of Tools. And it will not only let you know what the impact is going to be on your per unit cost- it's also going to let you know what percentage of your families are currently rent burdened. And so, as it relates to payment standards and per unit costs and rent burdens and things like that, when you do increase your payment standards based off of what percentage of your families are currently rent burdened, it's going to increase how much it costs you in HAP. One of the key indicators on how you should be determining utilization of your voucher program is that per unit cost. You need to know how much it's going to cost you to increase your payment standards so that you know how many vouchers you can still issue from your waiting list. Because really, the goal is to maximize the amount of HAP that you're spending and maximizing the amount of families that you're able to serve. And so, if you don't analyze the impact that an increased payment standard has on your program, you could find yourself in a situation where you're running into shortfall because your payment or your per unit costs have skyrocketed due to an increase in the payment standard, but you continued to issue vouchers at the rate that you were intending to. And because of that, your costs are going up, and you run out of cash. So, it's extremely important to analyze the impact that payment standards have on your program, and we'll talk more about that here in a couple of slides.

If 120% Implemented in 2022

So, kind of, what you should do: If you're implementing 120% here in 2022, and you got the wavier first.

You've gotten approval, you rolled it out, what you're going to really need to start doing when the 2023 FMRs come out, is run that payment standard analysis again to see what's going to happen to your per unit cost as it relates to your FMRs. In the Payment Standard Analysis Tool, you're going to want to use the 2022 FMRs that you're utilizing at 120% and see what would potentially happen in 2023 and 2024 with your payment standards going back down to 110% at the 2023 FMR, right. And then, in the tool, you're going to select an implementation month (so for example, January of 2023 or January of 2024) and determine what that impact is going to have on those families and how many families could potentially be rent burdened as a result of a decrease in the payment standard. And so, to kind of drive home a point from earlier as we talked about what policies you can implement in your Admin Plan as it relates to decreases in your payment standard: If you're adopting 120% in 2022, I would certainly recommend that the PHA look at the hold harmless policy moving into 2023, so you don't have families in 2024 that have increased rent burdens because your payment standards have to go back down to where that basic range is.

Next Steps

So, your next steps: The next steps for the PHA are to analyze your data. Utilize the Two-Year Tool and utilize the Tool of Tools, specifically the payment standard analysis portion. Discuss with your Field Office anything as it relates to exception payment standards, relating to reasonable accommodation, or promoting leasing. It's always a good idea to talk to your Field Office. They are there to support you guys, and they are your partners in this and want to see you guys to be successful. So, it's important to have ongoing conversations as it relates to program utilization with your Field Office. And, if you need help and guidance, they are certainly there to help you with that. Consider applying for waivers. What I mentioned earlier is you need to see what impact that it's going to have on your, on your program, and determine what percentage of your families are rent burdened. You need to, you need to look at that prior to applying for those waivers because they're going to, they're going to affect those two things as it relates to your program. And then if you do apply for the waivers, plan for implementation. If you're planning to roll out an increased payment standard in 2022, and you're planning on doing that in conjunction with increasing the payment standard at the time of an interim recertification, that's going to take some capacity. That's going to take some staff to roll that out and implement. So, if this is something you're going to consider, you need to think operationally what your capacity needs might be to make that happen. And then analyze and determine what your needs are going to be in 2023. If you've gone with 120% already, and you still have, you know, a low success rate, and you have families who still aren't able to find units with their voucher, it might be time to think about exception payment standards above 120% and start planning for what data you need to gather to be able to do that. Analyze, you know, what your policies are, whether you want to go with a hold harmless policy, or whether you want to use one of the two other options where you could reduce, if the payment standard is reduced in 2023, what that would look like. Start to analyze and determine what you need to do in 2023, because it's six, six and a half short months away. And then discuss what your plans are with your Field Office; again, your Field Office is a great point of contact to bounce ideas off of and talk to make sure that you can maximize your program utilization and in keeping them informed of what you're working on and working towards is extremely important to the success of your program.

Tools & Techniques

All right, now we're going to go to Tools and Techniques for assessing payments standards.

Assessing Payment Standards

And so, as it relates to payment standards, I've talked about what the two main tools are, which is the Two-Year Tool and the Tool of Tools. And you really want to use that so that you can make informed decisions as it relates to the impact of changes in payment standards have on your participants, as well as the impact it has on the utilization of your program.

Tools Available

Those tools are available from the HUD website. So if you go—what I generally do is just Google, you know, 'HUD utilization tool' and scroll in there to find my Two-Year Tool. And if you scroll down to the bottom, you can find the Tool of Tools.

Payment Standard Analysis Tool

And so as it relates to payment standard analysis and the Tool of Tools, what you're going to do in advance of actually utilizing the Tool of Tools and Payment Standard Analysis Tool is first, you're going to pull a PIC Ad Hoc report. And so, you'll log in to PIC and select an Ad Hoc report; you're going to choose 'all voucher-funded assistance' and select actions one through five and seven. And then you're going to select all of the fields in the Ad Hoc report. And so it's important to know that when you do an Ad Hoc report out of PIC, there's actually two pages. And so, you need to select all of the fields on both pages of the Ad Hoc report. If you don't, you won't be able to analyze the information in the Payment Standard Analysis Tool.

Once you've selected all of the records from the Ad Hoc report, you're going to get an option to export it into Excel. Now what I generally see when PHAs are exporting their PIC data from the website is Excel sometimes—or not sometimes—it's oftentimes defaults the Excel file into a .csv, which is Comma Separated Variable format. And if you download and save that file as a .csv, you're not going to be able to upload it into the Payment Standard Analysis Tool. So when you're downloading that Ad Hoc report into Excel, you need to make sure that you're saving it as an .xls or .xlsx format. Otherwise, you're not going to be able to get it to work in the Tool of Tools, the Payment Standard Analysis Tool. And you're going to be probably saying that the tool doesn't work. So please know that when you download it, you need to save it as an appropriate Excel file for it to work correctly.

Payment Standard Analysis Tool Continued

So once you've downloaded that PIC data, you're going to go to the HCV Utilization Tools page from HUD, you're going to scroll down to the bottom and select Tool of Tools and wait for that Excel file to download. Once you open that file and it's downloaded, it's going to ask you questions, right? It's going to prompt you to see if you want instruction, so you can click yes or no. If you put yes, it'll give you five-page instructions on how to use it. If you click no, you'll keep going at which point you'll be prompted with the question in the report section, asking what type of report you would like to generate. So, the report you want to generate is this payment standards tool. Because that's what we want to analyze.

So once we select that tool, tell them we're excited to use it, we're going to get a couple other pop ups. Whether you want edification on how to download it to pick or if you already have your PIC data downloaded, you would select ‘no edification needed’, because we're going to have our PIC data ready to go. At which point it's going to ask us to upload that PIC Ad Hoc reports. And once we do, it's going to say you’re a PIC all-star. So well done.

Once we click OK, after we've uploaded our PIC, Ad Hoc report to the Payment Standard Analysis Tool, so we're going to get another pop up, which is going to prompt us to select what type of tool we want to use.

And so, the options are going to be a single payment standard, which is for PHAs that have a metropolitan FMR applied to their program, or if you're using multiple payments standards by city, or you can run it as multiple payment centers by ZIP code. Specifically, if you have Small Area FMRs, you're going to want to go with the multiple payments center by ZIP code or multiple payment standards other.

So based off of how your payments standards are structured, you're going to select one of these three options. And it's going to bring you to a screen that looks like this. From this screen, this is your main Payment Standard Analysis Tool screen.

From that screen, you're going to select your county from the drop down. And then you're going to enter your current fair market rent data and your current payment standard information. If you are able to click your county from the drop down, it generally will populate your FMR data for you. Sometimes it populates it unless you're, you know, you've got multiple counties that are within your jurisdiction as a kind of a regional PHA, you wouldn't necessarily be able to pick a specific county. And then you're going to enter your current payment standard into the different sections of the Payment Standard Analysis Tool.

Additionally, you'd then enter your 2022 FMR amounts, which are going to be the same as what your current ones are, and then changing—you would change your payment standard amount to 120% if you're using less than 120% right now so that you can analyze the impact that that's going to make on what your potentially new payment standard would be. And then once you have entered in all of that data, you're going to look at—and I'm going to go back to the screen just to kind of show you. So, this is where you're selecting your county that will populate you FMRs. This is where—in the yellow—where you're going to manually enter your payment standards.

In 2022, you're going to use the same FMR that you're using for your current year and then your payments standards will be at 120% of the FMR if you want to do an analysis of what would happen if you increased your payment standards to 120%. And then also in year three, what I generally do is I just put the payment standard at 120% of the 2022 FMR as well so I can see what would happen if I'm—what would happen in 2023 because we're already midway through 2022. But it'll give us the data that we need to kind of make good decisions on what to do from that point. And then the data payments standard change. So, this is where you'll put—if you have applied for the waivers and you're going to be applying an increased payments standard, say, effective July 1, you would put July 1, 2022. And then the tool will run what the outcome is from that analysis based off of the date you put in this field here.

Once you put a date in that payment standard change field, it's going to bring up additional information for you to take a look at. Specifically, what you'll see first is what percentage of your families are rent burdened. So once you enter this information in, this is going to tell you what percentage of your families are currently rent burdened on your program. So in our example here, when we had our 2022 payments standards at 110%, 25% of our participants were rent burned. When we go to 120%, that number is reduced to 7% by the end of 2022. And then again to 4% by the end of 2023. By entering information in and analyzing your payment standards and the changes in your payment standards, you're able to easily identify what percentage of your families are rent burdened and what percentage that is going to drop to if you increase your payment standards.

To the right, you see these boxes in green. These boxes indicate the change in your per unit costs over that period of time, over that 12 months after your increases payments standard date. So if you want to know how much this is going to cost you, this is the section you want to review. So you can see month over month, how your payments—or how your per unit costs are going to change. Your per unit costs relate to your Two-Year Tool.

At the top here, it says overall, by the end of 2023, your per unit cost will be increased by $12.59 or 3.5%. So, this is important to note, because overall, your per unit costs by the end of 2023 will have gone up by $12 per month per voucher through the implementation of a higher payment standard. So that's the indicator that you need to know what impact and increased payment standard is going to have on your program.

Best Practice: Payment Standards

So as a best practice, this data should be used in conjunction with the Two-Year Tool to determine the impact that increased payments standards have on your program. Payment standards should be reviewed at least annually. And the Payment Standard Tool should be used at least annually, when new Fair Market Rents come out to determine the impact it has on your program.

Because, like I had mentioned earlier, that one of the most important key indicators for the utilization of a program is your per unit cost. And a change in that payment standard is going to change your per unit cost. So, you need to be able to make sure you can afford what you're doing.

Determine Sufficient HAP Reserves

And so, here's an example of a Two-Year Tool. And what we've done here is—it's a little bit older data. But what we've done here is we've looked at what our January UMLs are and what our HAP costs are and what our per unit costs are and through a payment standard analysis and increasing the payment standard to 120%, we can override what our per unit costs are anticipated to be moving forward, because through the analysis of an increased payment standard, we can see that our per unit costs are going to go up. And by implementing this information and data into the Two-Year Tool, you can see how much you can afford. So in this example here in 2021, the PHA had a 17% HAP reserve. In 2022, they've increased their per unit costs through an increase in their payment standard to 120%.

And by the end of 2022, they're anticipating a HAP reserve up 12%. And that's with the issuance of vouchers every month and with the leasing up of PBV units month over month as well. So, what we're analyzing through the Payment Standard Analysis Tool into the Two-Year Tool is how much it's going to cost us month over month so that we can determine how many additional vouchers we can continue to issue. So in this example here, we can issue, you know, a sufficient number of vouchers over the next 12 months, as well as increase our payment standards and have increased per unit cost month over month and still be okay on our HAP reserve side.

Additionally, if this PHA were to then implement the higher payments standard at 120% through the use of Waiver One, which is allowing them to do an interim for all of their rent for a while for all of their families all at the same time, their per unit cost wouldn't be going up month over month, but it would go up to that increased amount. And by analyzing it in the Two-Year Tool, we can see we can continue to issue vouchers; we can increase our PUC and reduce all of our rent burdens for our families across the board and still have sufficient HAP reserves by the end of 2022 to be able to cover these changes.

Two-Year Tool

So the Two-Year Tool, this tool should be used to help you make operational budgetary decisions about your program. The data that is contained in the tool will help you justify the decisions that you make as it relates to the streamlined waivers as well as exception payments standards. This is a sample of what the success rate tracking tool looks like in the Two-Year Tool that I would recommend everyone use.

You are basically tracking how many vouchers you issued, how many of those vouchers leased and in what month they leased up, and how many vouchers did not lease up over that period of time.

Success Rate Tracking

And if you use the data in this success rate tracking tool, you're able to calculate the summary results. Actually, the tool calculates the summary results for you automatically to tell you what your success rates are, what's your percentage of vouchers that are leased up under a HAP contract within 30, 60, 90, 120, and 120+ days are, so that you can implement this information into the Projection Analysis tab of the Two-Year Tool and also use this information and the data for justifications for Waiver Three as it relates to the streamline waivers and exception payments standards.

Are the Waivers Right for My PHA?

So at the end of the day, you've got to start thinking are these waivers right for your PHA. It’s important to look at—it's important to analyze your payment standards to determine what percentage of your families are rent burdened. Look at the success rates of your program and determine if you want that success rate to potentially improve as an increased payment standard can make your program more competitive in your current market, and then calculate to determine if you have enough budget to afford an increase in your payment standards. Additionally, if you're in a shared jurisdiction, make sure that your payment standard is not lower than other PHAs. In general, make sure your rents are competitive with the market.

Additionally, if your PHA has experienced a decrease, it might be in your FMR in 2022, which has happened, it might be making it even more difficult for participants to lease. So, it might be a good strategy to increase your payment standards back up to where they were in 2021 so that your vouchers can be more successful as well.

Voucher Tenancy

And then kind of bringing it all home. When you're considering implementing the waivers. For Waiver Three specifically, you need to make sure and review that in 2023 if the PHA will have to go back to that standard range of 90% and 120% of the FMR, will you need to utilize the exemption payments standard at 120% moving forward, determining what those effective dates need to be if you have a decrease in your payments standard and they can't become effective until the second annual; so looking at whether you should hold harmless or whether you should implement one of the other options. It's going to be extremely important for you adopt policies as it relates to that and then any operational impact that it might have on your program as it relates to operations in capacity to actually get different changes processed, updates in your software, because now you could potentially have multiple payments standards going at the same time. Implementation of Waiver Three or any exemption payment standards, you're going to want to look at what those operational impacts are going to be on your program.

Use of SAFMRs

And so with that, I'm going to pass it back over to Michael Tonovitz to talk about small FMRs.

Voucher Tenancy

Well, hello again, everyone. I'm actually going to go back to one of Mike's—I'm going to go back to one of my slides for a moment just because of a common question that I've heard, and it relates to what I talked about earlier, which is, as everyone's aware, when the waivers end, housing authorities are going to need to go back to their standard range of 110%. But you may be finding that you already know that you're going to need to sustain at 120%. So if you're thinking that's an issue, remember what I said earlier about how you can get HUD Field Office approval to get 120% FMRs. Start putting your—start planning your request and start putting together your data now because that is your—if you think you need to stay at 120%, that is going to be your tool to sustain where you currently are from the waiver.

Use of SAFMRs

Now I'm going to—I will talk about the other tools that you can have to get higher payment standards in parts of your jurisdiction. And that is the use of Small Area FMRs.

Resources

So SAFMRs have been around about five years now since they—since they were first became part of the regulations. There is a PIH notice 2018-01; it contains not only the SAFMR rules but all of the rules about hold harmless and what happens when a payment standard decreases. And the HUD guidebook on how to implement SAFMRs. We'll go into a lot more detail about the things I'm about to discuss.

Overview of SAFMRs

So again SAFMRs originally came about from a federal register in 2016. And what they are is rents that are analyzed at the ZIP code level. And this is done in all the metropolitan service areas throughout the country. This detail is not available at the ZIP code level in rural areas where the rental markets tend to be more homogenous. And the purpose of the Small Area FMRs was to have additional data on rents at a ZIP code level with the—with the end goal of trying to—trying to enable families to find homes in higher rent areas.

Scope of the Program

So, there are two types of Small Area FMR PHAs. The statutes have 24 metropolitan areas where the use of the SAFMRs is mandatory. And those—those range from Tampa, Tampa Hillsborough County to the Dallas Fort Worth area; Gary, Indiana just to name a few. But the SAFMRs can be beneficial in other communities and HUD has given each PHA the option to opt in. And there are several different ways that you can opt into it, which I'm going to talk about momentarily.

Example SAFMR Table

But this is this is actually a screenshot from HUD clips. And what it is showing is that in the Philadelphia, Camden Wilmington area, five ZIP codes vary; they are a wide range of rent levels depending on what ZIP the house is located in. And this information can be used to your advantage as to help implement Small Area FMRs to promote housing opportunity.

Opting In

So opting in, it requires HUD approval. The level of HUD approval will depend on whether you're going to opt in for your whole jurisdiction or if you're going to opt in just for selected ZIP codes. And the approval level for selected ZIP codes is much simpler than if you're going to be going through—you're going to opt in for program wide. Here in this webinar, I'm going to mainly focus on when you're opting in for selected ZIP codes. If you opt in, you always have the ability to opt out later. And all of this is detailed in the HUD guidebook.

Opting In: Things to Consider

So, there's some important things that you're going to want to consider if you're looking to utilize Small Area FMRs. First and foremost, it can expand housing and housing opportunities in your high rent areas. And as a result, it can reduce rent burdens for certain families.

It will—it can expand access to better—better resource to neighborhoods, which create better opportunities for families. And it more—it will more closely reflect submarkets at a ZIP code level. It's not going to get you to a census tract level and there can be variation. But it's going to get—it's going to be much closer to your market than an area wide FMR.

There are some things you need to consider. For example, if you implement your SAFMRs jurisdiction wide, in some parts of the jurisdiction, your payment standards go up. But in some of your more distressed areas, payment standards could actually go down. So, there's always the risk that in some parts of your jurisdiction that you can actually reduce housing opportunities. The other thing is that sometimes—many housing authorities operate with overlapping jurisdiction. So, you potentially could have confusion if you're—if you're using Small Area FMRs and as a result, your payment standard is either higher or lower than another PHA.

Because SAFMRs are more complex, you're going to have to augment your processes, including how you greet people, what type of information is in your system of record, and it may impact your HAP expenses, and it may impact them if you're using them only an opportunity areas. It's going to impact your HAP expense is going upwards, and it may impact your HAP expenses going downward. I will tell you that it's something that you're going to want to analyze. The HUD Tool of Tools doesn't work the best for this, but I am aware that that some have come up with a workaround where they will pull—they will pull the tool—pull an Ad Hoc report from PIC only using data by a specific ZIP code just to analyze. The other thing you can do, while it's not an exact science, is you can compare what the payment standard is now versus after the Small Area FMR. And while it will give you a reasonable estimate of how your HAP expenses may change on a ZIP code by ZIP code, a bedroom size by bedroom size basis. Again, it’s not an exact science, but at least it would give you some idea of how your HAP expenses might change for your various unit sizes if you go to Small Area FMRs, and that analysis really needs to be at the ZIP code level.

SAFMR Implementation

Implementation. As I mentioned, the mandatory areas are prescribed in regulation. Whereas the non-mandatory—if you want to—if you're not in a mandatory area, you need HUD approval. But a really good tool is going to be using your selective ZIP codes to expand housing opportunities. And you can choose to adopt payment standards or an exception payment standard based upon SAFMRs within one or more selected ZIP codes. And it could be an option whereas a whole, the FMRs really do work well within your jurisdiction, but there are just a few select ZIP codes where families do not have meaningful access. If you were using Small Area FMRs, it would expand opportunities. I actually work with the voucher program in Buffalo, New York. And that's actually—there are a few select ZIP codes where Small Area FMRs where there's a lot of rental housing and Small Area FMRs in those ZIP codes only have opened up housing choices for families.

So again, if you are—if you're looking to opt in, that is, you're making a voluntary choice to convert to using Small Area FMRs either jurisdiction wide or your—or just in ZIP codes. And again, that does—that will require some level of HUD approval.

Exception Payment Standards

Exception payment standards: if you're only going to use it as an exception to the payment of—exception of select ZIP codes, it is actually simple. You're just sending an email to this SAFMRs@hud.gov to notify HUD of your intent and then you would apply the Small Area FMRs across the entire ZIP code for your tenant-based vouchers as well as your PBV. If you're—if you're adopting SAFMRs jurisdiction wide, you have the option with PBV to maintain regular FMRs for your PBV program, but if it's or SAFMRs for PBV, but if you are using Small Area FMRs only as an exception payment standard, it does apply to both your HCV and PBV programs. And it would apply—if owners want to have their rents adjusted and they're rent reasonable, it would—it would apply at the anniversary date of the PBV contract.

Items to Update

So, if you're going to use—if you're going to adopt SAFMRs, there are several things you need to do, you're going to need to update your admin plan, you're going to need augmented briefing materials that explain how payment standards vary from ZIP code to ZIP code. And it's a good idea to have an outreach strategy, particularly to outreach to landlords in ZIP codes where payment standards may be going up to make them aware that this is coming to try to market the program and the benefits of renting to a Housing Choice Voucher to landlords in these ZIP codes.

Exception Payment Standards

So, here's some sample language from an admin plan where the PHA—saying that a PHA shall utilize a SAFMRs for establishing payment standards and hard to rent areas. And it goes on to explicitly state which ZIP codes will be Small Area FMR ZIP codes where they will be the basis for the payment standards.

Example Analysis

This is an example of a housing authority on the west coast to show how an analysis was done to select which ZIP codes would benefit from utilizing SAFMRs. As you can see across the top, both the FMRs—and we'll look at the zero bedrooms—the FMR for zero bedroom was $834. In many, there were a number of ZIP codes above the FMR, but only a little bit above, many of them were at $840 for the zero bedroom, but there were four ZIP codes where the rents—so for that first group where it says without benefit, there really was only minimal benefit to adopting SAFMRs in those ZIP codes. But there were four where the SAFMRs were significantly higher than the areawide FMRs. So in this instance, the housing authority did decide that they were going to adopt the SAFMRs for all bedroom sizes. But for these four ZIP codes only.

This is some information from a PHA's briefing materials with the housing authority was providing payment standard data on a ZIP code by ZIP code basis just so families could understand those maximum approvable amounts in the different places that they were looking.

Factors to Consider for PBV

So as I mentioned for PBV, if you're in an areawide SAFMR agency, you do not have to use them for your PBV. But regardless of what you decide, it has to be in your admin plan, it has to be applied in a uniform manner for all projects where PBV is effective after you implement SAFMRs and with mutual consent of the owner. You can also use SAFMRs for your PBV program going retroactive for contracts that were already in place when you converted it to Small Area FMRs.

Implementation Strategies

So, there are some implementation strategies. One that I'm going to show you is ZIP code bundling. So looking at a group of ZIP codes and applying the same payment standard based on SAFMRs, Another key implementation strategy is to assign the caseload to some seasoned staff, so for families—you may currently assign staff based upon last names of families. But if you're going to use SAFMRs as exception payments standards, you may want to assign the caseload for families living in those ZIP codes to seasoned staff, who are less likely to make payments standard mistakes. You should also talk to your software vendor; find out how they can help make it easier to have the correct payment standards auto populate. Your briefing materials should include all necessary information to help families understand these varying payment standards. And if there is a mobility program in your community, it's a good idea to partner with them, so that they're aware that you've adopted these exceptions SAFMRs so that you're referring families to the mobility program to help families find housing in these areas. And that they are aware for the families they work with that you have these higher payment standards.

This is an example right out of the SAFMR guidebook from HUD. And it just shows three different options for implementing. In option A from this example was that the housing authority would set their payment standards in four ZIP code—or six ZIP codes and 100% of the SAFMR. From this example, there are now six different exception payment standard areas. So look at another option, where the same six ZIP codes are set based upon SAFMRs, but they simplify to three. So now you've got, for example, two of the ZIP codes are set to have a two-bedroom payment standard $675, but one is 104% of the Small Area FMR; one is at 96%. And then in the final example, there's only two options. Some are above 100% of the SAFMR, some are below, but they're all in that 90 to 110% range. And the more you bundle, the easier it is to administer, but the more you—but we also lose some of the impacts of the higher payment standards in the highest rent areas.

So, it's something you need to carefully consider: the unique the pros and cons for operational ease versus maximum financial benefit.

Briefing Materials: Flyer

This is actually a brochure from a mobility program in Westchester County that does partner with the Westchester County voucher program. And in Westchester County, I showed you earlier that they have exception payments standards, but they also use Small Area FMRs in some other communities where the exception payments standards are not sufficient. So in order to encourage families to take advantage of some of these opportunity areas, there is a partnership with this mobility program. The mobility program helps families with pre-move counseling, of getting them ready to move to opportunity areas, housing search assistance, and post-move counseling.

Q & A

So, And that's it. I'm going to turn it over to Charmainne for some parting comments. Thank you.

Thank you, Michael and Mike. We appreciate the assistance you've given to the participants this afternoon. Are there any questions, Jesse?

We have a good number of questions. Okay, let's get started. We have time for some.

All right. So here's a question from Daniel and it says, “what is the process for applying to use payment standards at 110% to 120%?”

So to apply for the streamline regulatory waiver payment standards, you need to review PIH Notice 2022-9. It gives you explicit instructions on what you need to do for the sake of time. You're really just going to respond to what that notice says you need—to provide them an email to a specific HUD inbox with justification and how long you're intending to use the waivers for, which can't exceed beyond December 2022. And you need to apply before September 30, 2022 to be able to be approved for those waivers.

All right, great. And then Chantel asked, “does using the 110% require a board of resolutions?”

So different PHAs will 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%. And I will also caution you to take a look at your agency plan to determine whether or not this is considered a significant amendment because sometimes key rent setting policies can be considered a significant amendment, which could trigger you having to include this in your agency plan and could trigger the public comment period.

All right. And then we have another question from Trisha. And she said, “what information will HUD require for the exception waiver? I have the approval but not sure how to move forward with it.”

So if you currently have approval for it, you can roll it out just like you would any other payment standard change that you make to your program. I don't believe that you need any other HUD approval to roll that out once you have approval to do so.

Okay, and then we have a question from Jay, and it says, “have any PHAs been approved for payment standards above 120%? And who are they?”

So, I don't know that list exists of who those PHAs are. Michael or Charmainne, do you happen to know?

I'm not aware of a list that would exist of PHAs that apply and receive approval from HUD. If you want that information, you might want to reach out to your Field Office. They may be able to help you with a list at least for their particular area.

Okay, perfect. And then we have another question that says, “if HUD approves a payment standard for the 50th percentile, do they exclude rental units that are luxury or above a certain threshold?”

When HUD is doing its market surveys to establish FMRs, they exclude substandard units and newly constructed units. But when they're looking at what the 50th percentile of the rental market is, it does not exclude luxury units.

And then we have a question—another question that says, “extension of proposed payment standard waiver; what are the odds of an extension?”

I’m not sure any of our trainers are in a position to speculate on that. So, I would encourage if you think you're going to want to stay at 120% to start following in the instructions that 24 CFR 92.503 to make their official requests to HUD to set payment standards based upon 120%.

All right, sounds good. And then we have a question from Jason. It says, “has HUD ever considered changing the term from payment standards to payment minimums? Landlords often think the term payment standard means this is the payment they will automatically receive when it is actually the maximum they can receive.”

I don't know that HUD has ever—I have no information that HUD has ever made that consideration. Again, I'll refer you to Field Office. I don't know, what interest HUD would have in doing that.

Okay. And then we have another one that says, “is the 85% success rate referring to applicants off the waitlist or all vouchers issued; for example an in-house move or port-in?”

So what I would use is the success rate tracking tool and the Tool of Tools, and I would use it for families that I'm issuing vouchers to off of the waiting list is what I would use. But if you already have software that's calculating all of that, I think that would be sufficient as well.

I'm imagining you're not having success rates significantly higher or lower. Comparatively speaking, when you're talking about coming from the waiting list or family who's trying to move. But if it were me, I would use vouchers coming from my waiting list.

As far as for requesting exception payment standards, the regulations do not specify.

All right, moving forward, we have a question from Jill. And it says, “did I hear correctly that if a waiver was granted, it would only be in effect until 12/31/22? If so, what happens to those payment standards in January of 2023?”

The payment standards in 2023 are going to be based off of—as of now they're based off of the basic range between 90 and 110% of the 2023 FMRs that are set to come out in October. Well, they generally come out in October.

Okay, so then we have another question, and it says, “is there any chance payment standard waivers will exceed to after December 31, 2022? We were approved and began effective June 1st, is there any chance to change a payment standard can continue after December 31st (example until each participant's reexamination date)?”

So, I think that question was asked earlier. We don't know what will happen after that. What I would recommend for that PHA to specifically do is apply for Waiver One, which allows you to implement increased payment standards through the interim recertification process. So that if you're just doing payments standard increases at the time of an annual and you didn't roll it out until June, you want those families who had annual recertifications in January through May to benefit from that payment standard increase. So, I would recommend applying for Waiver One as well. And then implementing that so that those families can benefit from the increased payment standard as well.

I have another recommendation that may be helpful. Since there's time between now and when those waivers will expire based on current information we have from HUD, I suggest that you begin gathering data if you think you're going to have a need to have those exceptions after December 31st of this year. Start gathering the data so you can submit a request to HUD to continue to utilize those different payment standards.

And then we have a question from Jennifer, and she says, “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?”

There's no statutory restriction on the timing of changing payment standards. However, you will need to be mindful of the requirements you're going to have for changing your administrative plan and whether or not those would constitute significant amendments to your agency plan that may require public comment period.

And you're also going to want to analyze the impact that's going to have on your budgetary ability to afford the higher payment standard too.

Okay, so the next question is, “can you speak to the applicability or dynamic to MTW agencies versus other PHAs?”

I think that's a whole other webinar on how the dynamics are different. Because depending on when you became an MTW agency, whether it was a current cohort or the original, MTW agencies have a lot of local discretion to set their payment standards in a way that meets their objectives for encouraging families to return to work. Some have gone to all—all kinds of scenarios exist, where payment standards aren't needed, because families get flat subsidies versus exception payment standards that didn't require HUD approval because of MTW authority. So I think the really—the MTW agencies just have a whole—because of their waiver authority, they have a whole wide range of tools at their disposal that normal PHAs don’t. Some were using ZIP code level payment standards long before Small Area FMRs came along is one example. So, I'm not sure we're going to do a great job answering that question because it's so complicated.

Okay, and then we have a question from Kim. And it says, “with the events of the last two years, landlords not getting paid by the general public and trying to make up for past losses and increased costs and utilities and increased wages across the board, can we anticipate a dramatic increase in FMRs this year?”

That's a good question. That's not one that we can answer as we're not involved in that process. And again, I'll refer you back to what's been a consistent recommendation. And that's to gather and monitor, analyze your data, so that you can present the data to HUD if you need to request a modification. And that includes requesting additional funds if funds aren’t available, if you don’t have reserves.

So the next question, Joshua asks, “when we talk about success rate, does this include all voucher holders, including change of units, and new voucher holders coming off the waiting list or just new? I believe my software combines them into one.”

When you’re looking at success rates of voucher holders—there’s a couple different ways to answer this question but for the purpose of applying for exception payment standards: if you are looking at success rates of voucher holders, you're looking at them for the entire program. Where there can be a little variance is with the HUD Two-Year Tool. Because the HUD 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. So, both pieces of information are needed depending on how you're going to be using it.

Okay, then Jessica asks, “for the exception payment standard, is there an exception for the FMR for rural housing authorities?”

HUD does have FMRs for all jurisdictions in the country. Some of them are set— are metropolitan FMRs. In some areas, they are rural only. Sometimes rural areas are part of a larger metropolitan FMR. So then in your rural area, you may not have lower FMRs, but you can set them in the lower range of the 90 to 110%. But some truly rural areas—for example, I've been doing some work recently in Northern California where there are no metropolitan areas—there are rural counties that have FMRs that are specific to that area.

This may be a question for you, Mike. This is Trisha and she says," does the Two-Year Tool monitor both PBV and HCV?"

Yes, it does.

So, I'm sure that'll probably be in some of the training materials that was listed for you that are available on HUD Exchange.

Okay. And then we have another question from Chantel and she says, "if we do implement new standards, can we start changing at annuals and new admissions? Or is there something special we have to do at a certain month?"

Once you receive approval for high payment standards, you can implement them with new admissions and then in any month following approval or at any point following approval.

All right. So it says, "how does a PHA you use the Payment Standards Tool when they're doing a blend of SAFMRs and normal FMRs?"

Okay, so that's going to—that is a highly technical situation that I'm not necessarily sure that the Payment Standard Analysis Tool is capable of doing without some technical assistance added to helping somebody complete that task. Because basically, you've got a certain—a few ZIP codes that are Small Area and the rest of your metro area is metro FMRs. And so, what you really have to do is create a special way to read the data when you upload it in the tool. So, it's not something I can say over a call how to actually do it. But I would recommend reaching out to the Field Office for assistance with that.

Use a workaround where you use your PIC data to create an Ad Hoc report that is only for the specific ZIP code you want to analyze and use that. Put that into the Tool of Tools.

Yeah, she clarified that she meant to say normal payment standards as opposed to normal FMRs. So, I don't know if that impacts the question.

Gotcha. Michael has recommendation in that situation. So, you could pull your Ad Hoc report. And then separate your Ad Hoc report by your Small Area FMR ZIP codes and your regular payment standard ZIP codes and then run that through the Tool of Tools that way or Payments Standard Analysis Tool that way, so you'd have basically two different payment standard analyses that you're running. But they won't be contained in the same tool.

So, here's another question. It's from Deborah and it says, "if we are in an SAFMR, do we have to run the tool for each of our ZIP codes?"

Yes. So in that situation, what you're going to do is you're going to instead of selecting ‘single payment standard’ as an option, you're going to select ‘payment standard by ZIP code’. And then you would need to enter in that payment standard information for each ZIP code.

All right, and then we will go through one more question and then we will wrap it up for today. So, this is Megan's question. She said, “if you keep increasing your payment standard to match the rent market and prevent rent burden for your participants, are you not increasing the PUC? And what happens to your budget?”

So that's an excellent question. Yes, you are increasing your PUC, which is why you need to run the Payments Standard Analysis Tool to determine how much it's going to cost you. And then once you get an understanding through the payment analysis tool as to how high your PUC is going to go on a monthly basis, you're going to implement that increase in your PUC into your Two-Year Tool PUC Override column, so that you can see if you have sufficient funding to actually do that. And by doing so, how it would impact your ability to issue additional vouchers.

Long story short, yes, it's going to increase your PUC and you need to analyze how much funding you have available and how many vouchers you can issue moving forward if you were to implement the higher payment standard.

Thank You

Okay, perfect. Is there anything you want to add to that Charmainne before we wrap up?

No, there is not. We appreciate everyone's participation this afternoon. We hope you gained some information that will help you better manage the utilization portion of your program. I do want to suggest that those of you who have not listened to this entire Best Practices series, please go back and listen to all of those webinars as I am confident that they will help you as you move through this process. Have a great afternoon, everyone.