

Preventing Shortfall during a Pandemic



This informational tips and tools sheet describe important information for Public Housing Agencies (PHAs) to understand for developing a strategy when facing a Housing Assistance Payment (HAP) shortfall. The focus is on common contributors and causes to shortfall due to the COVID-19 pandemic and tools and strategies to avoid shortfall. Additionally, this sheet highlights the importance of using HUD tools and quality leasing data to prevent or manage shortfall status.

Challenge

Many PHAs administering a Housing Choice Voucher (HCV) Program have experienced increases in interim certifications from participants due to loss of income during the pandemic. Additionally, there has been an increase in demand for affordable housing during the pandemic as individuals face job insecurity and/or are not able to pay the rent. The PHA's challenge is:

- Having adequate funds on hand.
- Having enough HUD-Held Reserves (HHR) to cover increases in use or increases in the per-unit costs (PUCs).
- Not having performed your needed rent studies and utility allowance study's that will lead to excessive payouts of HAP and may not be recoverable.
- Not understanding the how quality of data and reporting can lead to bad information affecting the annual budget authority.

Reviewing and analyzing key PHA data is imperative for shortfall prevention. Let's explore several strategies to equip PHAs for the challenge.

What is Shortfall and What Implications Can It Have on PHAs in the Short-term and Long-term?

Shortfall exists when an authority is in a position where budgeted HAP dollars and HUD-Held Reserves (HHRs) can no longer cover necessary HAP outlays for landlords. There are several possible factors associated here:

- Not using your Two-Year Tool for early detection that you can no longer cover the HAP
- Over-leasing—i.e., leasing-up more vouchers than available unit months—has occurred.
- PUCs have increased during the COVID-19 pandemic.
- The utility allowance is excessive.
- Vouchers to high-rent districts affected your ability to manage your HAP payments.

Implications for PHAs and Helpful Tips for Short-term and Long-term Adjustments:

- Short-term, the PHA may be able to fix shortfall by not issuing vouchers and not absorbing ports.
- Long-term, meet the housing needs of the community (ports may need to temporarily suspend due to lack of funding, or may need to suspend PBV contracts for new construction housing).

Available Practical Tools to Help Your Analysis

It is imperative for PHAs to review and use data to make appropriate decisions to prevent shortfall. Additionally, data will require verification for accuracy so PHAs can receive the correct amount of funding and make small corrections if certain outliers are detected. HUD uses several tools to validate information and make funds available. Data sources and tools to consider include:

- Voucher Management System (VMS) and PIC
 - Review VMS and PIH Information Center (PIC) data against accounting records. Ensure timely updates to reflect the most current data.
- Two-Year Tool (TYT) and Per Unit Cost (PUC)
 - Using the forecasting feature within the tool. Interpret the effect of the rising PUC on your funding availability.
 - Watch your per Unit Cost based on how many interim changes will need to be processed during a pandemic as a result of job loss.
- Ask other higher rent districts to absorb your ports.
- Temporarily stop entering into new project-based contracts for planned new construction (PBV).

Shortfall Funding under the Pandemic

The HUD field office through routine conversation will inform you that you are heading to shortfall or will experience shortfall. The local HUD office will refer you to the Shortfall Prevention Team (SPT). The SPT will request funding and at that point PHAs will make an application for shortfall funding. HUD issued PIH notice 2021-10 on Implementation of HCV funding, which include set-aside funds for shortfall. The steps in requesting the supplemental funding are laid out in the PIH 2021-10. Below is a general overview of the process and eligibility.

- Review instructions in PIH 2021-10: Implementation of the Federal Fiscal Year (FFY) 2021 Funding Provisions for the Housing Choice Voucher Program, and Availability of FFY 2020 Housing Assistance Payments (HAP) Set-Aside Funds for Second Round Per Unit Cost (PUC) Increases due to Unforeseen Circumstances.
- Deadline will remain open until further notice.
- Review process
- Make a request per PIH 2021-10, Appendix F and email to 2021set-asideapplications@hud.gov

What to Expect When Working with the HUD Shortfall Prevention Team

- Complete the PHA questionnaire provided by the HUD Field Office. This questionnaire will allow the Shortfall Prevention Team (SPT) to obtain information on the financial condition and policies of the PHA. Elements of the questionnaire include the following:
 - Current conditions and projections variables
 - Occupancy standards
 - Earned income verification (EIV)
 - Financial information
- An Action Plan will be established for the PHA which can include the following:
 - PHA to cease issuing vouchers to new applicants.
 - PHA to stop absorbing new portable families and bill until further notice.
 - PHA to deny "port-outs", i.e., movers to higher-cost areas, unless the receiving PHA will absorb them.
 - PHA to fully reconcile the Restricted Net Position (RNP) with the Financial Management Center (FMC)
 - PHA to ask receiving PHAs to absorb "port-outs."
 - PHA to discuss the Action Plan with landlords and voluntarily delay rent increases.
 - PHA to perform rent reasonableness.
 - PHA to use PIC and EIV to uncover fraud and HAP overpayments.
- Release from HUD HCV Shortfall Prevention Team monitoring. The TYT is the common tool used for this by providing the most appropriate and agreed-upon approaches.
- Continued monitoring until shortfall is no longer present.

Tips for Data Accuracy in VMS and PIC

- Check your increments and use data.
- Perform routing quality control on your data.
- Frequently update the VMS to reflect accurate data.
- Include your retroactive contracts and/or payments.
- Reconcile to the general ledger.
- Work with the Finance Department.