RENT CHOICE

This quick reference sheet is designed to remind public housing personnel that families living in public housing have a choice to pay income-based or flat rent.

ANNUAL REEXAMINATION AND CHOICE OF RENT

At initial occupancy and at annual reexaminations, HUD requires that Public Housing Agencies (PHAs) offer families the choice of paying income-based rent (the higher of 30% of adjusted income or 10% of gross income) or a flat rent, which is generally based on 80% of fair market rents for the PHA's jurisdiction as determined by HUD. In either case, the amount must be at least the minimum rent established by the PHA, which may be up to $50.

Information for Families

The PHA must provide sufficient information about rent options for families to make an informed choice. Such information must include at least the following written information:

- The PHA's policies on switching type of rent in circumstances of financial hardship, and
- The dollar amounts of tenant rent for the family under each option.
PHA OBLIGATIONS AND RENT CHOICE OPTIONS

**Income-Based Rent**

If a family chooses an income-based rent at initial occupancy or any subsequent annual reexamination, the PHA must:

- Conduct a full reexamination of family income and composition at least annually;
- Inform the family of the flat rent amount and the income-based rent amount as determined by the examination of family income and composition; and
- Inform the family of the PHA policy on switching rent types in the event of a financial hardship, including policies on minimum rent and the related hardship exemption.

**Flat Rent**

If a family chooses a flat rent at initial occupancy or for any subsequent year, the PHA must:

- Conduct a reexamination of income at least once every 3 years and reexamination of family composition annually;
- Inform the family of the updated flat rent amount and the income-based rent amount as determined during the most recent full reexamination;
- In years when a PHA does not conduct a full reexamination of family income, PHAs still must give the family the option of paying the flat rent or the income-based rent as calculated from the most recent examination of family income and composition.
- Compare the updated flat rent amount to the previous flat rent amount to determine if a phase-in is required. For units where utilities are tenant-paid, the PHA must adjust the flat rent downward by the amount of a utility allowance for which the family might otherwise be eligible; and
- Inform the family of the PHA policy on switching rent types in the event of a financial hardship.

**INCOME-BASED RENT VS. FLAT RENT**

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<th>Topic</th>
<th>Income-Based Rent</th>
<th>Flat Rent</th>
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<td>Reexamination of Family Income</td>
<td>PHA must conduct at least annually</td>
<td>PHA must conduct at least every three years</td>
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<tr>
<td>Reexamination of Family Composition</td>
<td>PHA must conduct at least annually</td>
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<tr>
<td>Minimum Rent Requirement</td>
<td>PHA must charge at least the minimum rent</td>
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<tr>
<td>Rent Phase-In Requirement</td>
<td>Not applicable</td>
<td>If a new flat rent would cause a family’s rent to increase by more than 35 percent, the rent increase must be phased in at 35 percent annually until the family is paying the full flat rent or chooses to pay income-based rent.</td>
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ESTABLISHING FLAT RENTS

PHAs must establish a schedule of flat rents annually, which at a minimum are no less than the lower of 80% of the FMR or the Small Area Fair Market Rent (SAFMR) applicable to the PHA’s jurisdiction. When the SAFMR is not available, then PHAs can use 80% of the unadjusted rent. Exceptions to the 80% requirement may be granted by HUD based on local market conditions and other factors. A PHA may apply for a flat rent amount that is lower than the two options if the PHA demonstrates, through the submission of a market analysis, that those rent options do not reflect the unit’s market value and HUD agrees with the PHA’s market analysis determination. For further guidance see Notice PIH 2021-27: Flat Rent Requirements.

FINANCIAL HARDSHIP & SWITCHING FROM FLAT RENT TO INCOME-BASED RENT

PHAs are required to provide families with information about how to switch between the two types of rent if they experience financial hardship. A family paying flat rent may, at any time, request a switch to income-based rent (before the next annual option to select the type of rent) if the family is unable to pay flat rent because of financial hardship. Please note that the family is not able to switch back to flat rent until the next annual reexamination.

The PHA must adopt written policies for determining when paying flat rent is considered a financial hardship for the family. If the family meets the criteria for financial hardship, the PHA must immediately allow the requested switch to income-based rent and should make that determination within a reasonable time after the family’s request. Generally, 30 days is considered a best practice and reasonable timeframe. See 24 CFR § 960.253 for more information.

PHA policies for determining when paying flat rent is a financial hardship must include the following situations:

• The family has experienced a decrease in income because of changed circumstances, including loss or reduction of employment, death in the family, or reduction in or loss of earnings or other assistance;
• The family has experienced an increase in expenses, because of changed circumstances, for medical costs, childcare, transportation, education, or similar items; and
• Such other situations determined by the PHA to be appropriate. For example, perhaps an unexpected increase in local cost of living expenses (inflation).

FINANCIAL HARDSHIP AND EXEMPTIONS FROM MINIMUM RENT REQUIREMENTS

A PHA must grant an exemption from payment of minimum rent if the family is unable to pay the minimum rent because of financial hardship. The PHA must adopt written policies for determining when paying the minimum rent is considered a financial hardship for the family. See 24 CFR § 5.630 for more information.

Financial hardship includes the following situations:

• When the family has lost eligibility for or is awaiting an eligibility determination for a Federal, State, or local assistance program, including a family that includes a member who is a noncitizen lawfully admitted for permanent residence under the Immigration and Nationality Act who would be entitled to public benefits but for title IV of the Personal Responsibility and Work Opportunity Act of 1996;
• When the family would be evicted because of inability to pay the minimum rent;
• When the income of the family has decreased because of changed circumstances, including loss of employment;
• When a death has occurred in the family; and
• Other circumstances determined by the PHA or HUD.