

CHAPTER 11

OWNER RENTS, RENT REASONABLENESS, AND PAYMENT STANDARDS

[24 CFR 982.502, 982.503, 982.504, 982.505, 982.507]

INTRODUCTION:

The policies in this chapter reflect the amendments to the HUD regulations, which were implemented by the Quality Housing and Work Responsibility Act of 1998 for the Housing Choice Voucher Program Tenant-Based Assistance Program. These amendments became effective on October 1, 1999, which is referred to as the ‘merger date’. These amendments complete the merging of the Housing Choice Voucher Program Certificate and Voucher Programs into one program, called the Housing Choice Voucher Program.

All Housing Choice Voucher Program participant families have been transitioned to the Housing Choice Voucher Program on or before October 1, 2001. Rent calculation methods for the Housing Choice Voucher Program are described at 24 CFR 982.505. The rent calculation formula is specific and is not subject to interpretation.

The NBHA will determine rent reasonableness in accordance with 24 CFR. It is the NBHA’s responsibility to ensure that the rents charged by owners are reasonable based upon unassisted comparables in the rental market, using the criteria specified in 24 CFR 982.507(b).

This chapter explains the NBHA’s procedures for determination of rent-reasonableness, payments to owners, adjustments to the payment standards, and rent adjustments.

A. **RENT TO OWNER IN THE HOUSING CHOICE VOUCHER PROGRAM**

[24 CFR 982.508]

All HAP contracts will begin on the first of the month, exceptions may be granted by Program Manager Approval. The tenant will be responsible for any rent prior to start date, the owner will be responsible for collecting any rent owed prior to that start date. The rent to owner is limited only by rent reasonableness. The NBHA must demonstrate that the rent to owner is reasonable in comparison to rent for other comparable unassisted units.

The only other limitation on rent to owner is the maximum rent standard at initial occupancy (24 CFR 982.508). At the time a family initially receives tenant-based assistance for occupancy of a dwelling unit, whether it is a new admission or a move to a different unit, if the gross rent for the unit exceeds that applicable payment standard for the family, the family share may not exceed 40 percent of the family’s monthly adjusted income.

During the initial term of the lease, the owner may not raise the contract rent to the participant family.

B. MAKING PAYMENTS TO OWNERS: [24 CFR 982.451]

Once the HAP contract is executed, the NBHA begins processing payments to the landlord. A HAP Register will be used as a basis for monitoring the accuracy and timeliness of payments. Changes are made automatically to the HAP Register for the following month. Checks are disbursed to the owner each month. Monthly checks may be picked-up between the first and the tenth of the month by owner at the NBHA. Interim checks during the month will be run approximately on the fifteenth (15th) of the month depending on finance schedule. Checks that are not received will not be replaced until a request has been received from the payee and a stop payment has been put on the check.

Excess Payments:

The total of rent paid by the tenant plus the NBHA housing assistance payment to the owner may not be more than the contract rent. The owner must immediately return any excess payment to the NBHA.

Owners who do not return excess payments will be subject to penalties as outlined in the “Owner or Family Debts to the NBHA”, of this chapter of the Administrative Plan.

Late Payment to Owners:

It is a local business practice in New Britain for property managers and owners to charge tenants a reasonable late fee for rents not received by the owner or property manager by the due date. Therefore, in keeping with generally accepted practices in the local housing market, the NBHA must make housing assistance payments to the owner promptly and in accordance with the HAP contract.

The NBHA will pay a \$25.00 late fee to the owner for housing assistance payments that are not direct deposited to the owner account by the tenth date of the month, if requested by the owner, excluding the first two calendar months of the HAP contract term.

Landlords may access their account via Landlord access site at (www.NBHACT.org) .

Proof of “Date Deposited to Bank Account” for information of directly to the bank.

To assist the NBHA in its outreach efforts to owners, and to provide better customer service, the NBHA requires all landlords to participate in direct deposit to receive their monthly HAP payments..

The NBHA will not be obligated to pay any late payment penalty if HUD determines that late payment is due to factors beyond the NBHA’s control, such as a delay in the receipt of program funds from HUD. The NBHA will not use any program funds for the payment of late fee penalties to the owner.

C: **RENT REASONABLENESS DETERMINATIONS:** [24 CFR 982.507]

The NBHA will determine and document on a case-by-case basis that the approved rent is reasonable in comparison to rent for other comparable unassisted units in the market. This applies to all Section 8 Programs.

The NBHA will not approve *to lease a* unit if it determines that the initial rent to owner is unreasonable. The NBHA must reassess rent reasonability before any increase in the rent to owner. The NBHA must also reassess rent reasonability if there is a five percent decrease in the published FMR in effect sixty days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect one year before the contract anniversary.

The NBHA must reassess rent reasonableness if directed by HUD and bases on a need identified by the NBHA's auditing system. The NBHA may elect to reassess rent reasonableness at any other time. At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or reassessed by the NBHA.

The owner will be advised that by accepting each monthly housing assistance payment he/she will be certifying that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises.

If requested, the owner must give the NBHA information on rents charged by the owner for other units in the premises or elsewhere. The NBHA will only request information on the owner's units elsewhere if the NBHA has cause to demonstrate that the owner has a tendency to charge higher rents to program participants or if needed for rent reasonableness comparable units.

The data for other unassisted units will be gathered from newspapers, realtors, professional associations, inquiries of owners, market surveys, and other available sources.

The market areas for rent reasonableness are zip codes/subdivisions/census tracts/neighborhoods within the NBHA's jurisdiction.

The following items may be used for rent reasonableness documentation:

- Size (number of Bedrooms/square footage)
- Location
- Amenities (bathrooms, dishwasher, air conditioning, etc.)
- Housing Services
- Age of unit
- Maintenance
- Utilities

Rent Reasonableness Methodology:

The NBHA uses an "appraisal" method and test the subject unit against selected units with similar characteristics. Adjustments are made for favorable and unfavorable differences between the subject unit and comparable units on the market.

The NBHA maintains an automated database, which includes data on unassisted units for use by staff in making rent reasonableness determination.

D. **PAYMENT STANDARDS FOR THE VOUCHER PROGRAM:**
[24 CFR 982.503]

The Payment Standard is used to calculate the housing assistance payment for the family. When NBHA revises its payment standards it will apply the new payment standards in accordance with HUD regulations. NBHA payment standards are based on small fair market rents (SAFMRs) published annually by HUD. The NBHA may have a higher payment standard within the NBHA's jurisdiction if needed to expand housing opportunities outside areas of minority or poverty concentration, as long as the payment standard is within the 90 percent and 110 percent of SAFMR range. The NBHA will establish a voucher payment standard amount for each SAFMR area in the NBHA jurisdiction. NBHA may establish payment standards for "grouped" zip codes, provided the payment standard in effect for each group zip code is within 90 percent and 110 percent of the published SAFMR for each zip code in the group.

The Payment Standard is used to calculate the housing assistance payment for the family. When NBHA revises its payment standards it will apply the new payment standards in accordance with HUD regulations. NBHA payment standards are based on small fair market rents (SAFMRs) published annually by HUD. The NBHA may have a higher payment standard within the NBHA's jurisdiction if needed to expand housing opportunities outside areas of minority or poverty concentration, as long as the payment standard is within the 90 percent and 110 percent of SAFMR range. The NBHA will establish a voucher payment standard amount for each SAFMR area in the NBHA jurisdiction. NBHA may establish payment standards for "grouped" zip codes, provided the payment standard in effect for each group zip code is within 90 percent and 110 percent of the published SAFMR for each zip code in the group.

The NBHA may approve a payment standard higher than the basic range, not to exceed 120 percent of the SAFMR, if required as a reasonable accommodation in accordance with 24 CFR Part 8 for a family that includes a person with disabilities. If the adjusted gross rent of the unit, for which an exception to the payment standard is requested as a reasonable accommodation, is more than 120 percent of the Payment Standard, the request will be submitted to HUD Field Office for review and approval.

E. **ADJUSTMENTS TO PAYMENT STANDARDS** [24 CFR 982.503]

Payment Standards may be adjusted, within HUD regulatory limitations, to increase Housing Assistance Payments in order to keep families' rent affordable. The NBHA will not raise Payment Standards solely to make "high end" units available to voucher holders. The NBHA may use some or all of the measures below in making its determination whether an adjustment should be made to the Payment Standards.

Assisted Families' Rent Burdens:

The NBHA will review its voucher payment standard amounts at least annually to determine whether more than forty percent of families in a particular unit size are paying more than thirty percent of their annual adjusted income for rent. In evaluating rent

Burdens, NBHA will not include families renting a larger unit than the family size listed on the voucher.

Quality of Units Selected:

The NBHA will review the quality of units selected by participant families when making the determination of the percent of income families are paying for housing, to ensure that Payment Standard increases are only made when needed to reach the mid-range of the market.

NBHA Decision Point:

The NBHA will review the average percent of income of families on the program. If more than twenty-five percent of families are paying more than thirty percent of monthly adjusted income, the NBHA will determine whether there is a difference by voucher size, whether families are renting units which exceed HUD's HQS and any additional standard added by the NBHA in the Administrative Plan.

If families are paying more than thirty percent of their income for rent due to the selection of larger bedroom size units or luxury units, the NBHA may decline to increase the payment standard. If these are not the primary factors for families paying higher rents the NBHA will continue increasing the payment standard.

The NBHA will also consider the HUD funding available to provide assistance to the families. If the funding is less than the amount needed to assist the NBHA's current baseline number of units, the voucher payment standard amounts will be held to between the 90%-100% for FMR to be able to assist more households on the program.

Rent to Owner Increases:

The NBHA may review a sample of the units to determine how often owners are increasing rents and the average percent of increase by bedroom size. The owner may request an increase in rent in accordance with the HAP contract.. A rent comparability review will be completed upon requesting an increase approval in recertification accompany with the HAP contract.

Time to Locate Housing:

The NBHA may consider the average time period for families to lease-up under the Voucher Program. If more than fifty percent of voucher holders are unable to locate suitable housing within the terms of the voucher and the NBHA determines that this is primarily due to the rents in the jurisdiction being unaffordable for families even with the presence of a voucher the Payment Standard may be adjusted.

Lowering of the Payment Standard:

Lowering of the FMR may require an adjustment of the Payment Standard. Additionally, statistical analysis may reveal that the Payment Standard should be lowered. In any case, the Payment Standard will not be set below ninety percent of the FMR without authorization from HUD.

Financial Feasibility:

Before increasing the Payment Standard, the NBHA may review the budget to determine the impact projected subsidy increases would have on funding available for the program and number of families served.

For this purpose, the NBHA will compare the number of families who could be served under a higher payment standard with the number assisted under current payment standards.

File Documentation:

The NBHA will retain a file for at least three years to document the analysis and findings to justify whether or not the payment standard was changed.

F. EXCEPTION PAYMENT STANDARDS:

If the dwelling unit is located in an exception area, the NBHA must use the appropriate payment standard amount established by the NBHA for the exception area in accordance with regulation at 24 CFR 982.503(c).

If needed to prevent financial hardship for families, and increase housing choice opportunities, the NBHA should request approval from the local HUD office to establish payment standard of up to 120% of the FMR.

G. OWNER PAYMENT IN THE HOUSING VOUCHER PROGRAM:

[24 CFR 982.308(g)]

The owner is required to notify the NBHA, in writing, at least sixty days before any change in the amount of contract rent is scheduled to go into effect. Any requested change in rent to owner will be subject to rent reasonableness requirements and approval by the NBHA.

H. RENT INCREASES

To receive a rent increase, the Owner must send the request for a rent increase to the Participant and send copy of the request to the NBHA sixty (60) days prior to the lease anniversary date. The rent may not be increased until after the initial one-year term of the Lease, or one-year has elapsed from the prior Lease amendment increasing the rent. The Owner will send the initial rent increase request to the corresponding Tenant Selection Interviewer, who will determine whether or not the requested rent is reasonable. If the NBHA grants a rent increase the adjusted rent will be the lesser of: (a) The Reasonable Rent as most recently determined by the NBHA, or (b) The amount requested by the Owner.

After all other conditions of this policy are met; the Contract Rent will only be increased for housing assistance payments commencing on the later of: (a) The first day of the first month commencing on or after the initial Lease term; or (b) At least sixty (60) days after the NBHA and the Participant receives the Owner's request for a rent increase. Notwithstanding any of the above, NBHA may suspend annual rent adjustments or take other rent-related actions if funds required to pay for those adjustments or current rent amounts are not available. The NBHA shall make every effort to minimize the effects of such actions.