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CHAPTER 6 CALCULATING RENT AND HAP PAYMENTS

6.1 CHAPTER OVERVIEW

The determination of the family's share of total housing costs and the PHA's housing assistance payment (HAP) is a two step process. When the housing choice voucher is issued, the applicant or participant must be given information on the minimum the family is expected to contribute to housing costs and the maximum subsidy that the PHA can pay. Because the family has the option of selecting a unit with a rent that is more or less than the PHA payment standard, the final calculation of the family's share of the housing costs and the HAP amount cannot be completed until the family has selected a unit.

6.2 INFORMATION THE APPLICANT OR PARTICIPANT IS GIVEN AT HOUSING CHOICE VOUCHER ISSUANCE

Minimum and Maximum Tenant Contributions to Housing Costs

It is critical that families receive complete and accurate information on how the program works, what their unit selection options are and the variables that affect the amount the family will be required to contribute to its total housing costs.

Total Tenant Payment

The total tenant payment (TTP) represents the minimum amount a family must contribute toward rent and utilities regardless of the unit selected. The TTP is calculated using a statutory formula and individual income information (see Chapter 5). To calculate TTP, annual adjusted income and annual (gross) income must be converted to monthly adjusted income and monthly gross income by dividing the annual figures by 12 months. The TTP is the greater of:

- 30 percent of monthly adjusted income;
- 10 percent of monthly gross income;
- The welfare rent (in as-paid states only); or
- The PHA minimum rent (PHA determined, see page 6-8).

CALCULATING TOTAL TENANT PAYMENT

30% of Monthly Adjusted Income: $\$700 \times .30 = \210

10% of Monthly Gross Income: $\$740 \times .10 = \74

Welfare Rent: N/A

PHA Minimum Rent: \$25

Total Tenant Payment: \$210

The participant will never pay less than the TTP (\$210) regardless of the unit selected.

Maximum Initial Rent Burden

When a family selects a unit with a gross rent exceeding the PHA payment standard, the PHA must determine whether the family's share for that unit would exceed the maximum initial rent burden. The family share may not exceed 40 percent of the family's monthly adjusted income when the family initially moves into the unit or signs the first assisted lease for a unit. The maximum initial rent burden applies only when the gross rent for the unit selected exceeds the applicable payment standard.

The level at which the PHA establishes the payment standard will affect a family's ability to find a unit with a rent that will not require the family to pay more than 40 percent of its monthly adjusted income.

The maximum initial rent burden may be calculated when the housing choice voucher is issued so the family will know the maximum amount it can pay for a unit while it is searching for housing.

CALCULATING MAXIMUM INITIAL RENT BURDEN	
Payment Standard:	\$450
Total Tenant Payment:	\$210
40% of Monthly Adjusted Income:	$\$700 \times .40 = \280
Amount family is limited to contributing to total housing costs.	\$ 280
PHA maximum subsidy (see below)	+ <u>\$ 240</u>
Maximum gross rent for this family	\$ 520

Maximum Subsidy

The maximum subsidy the PHA can pay in the housing choice voucher program is the payment standard minus the TTP. The maximum subsidy calculation is done at the time the family is issued a housing choice voucher. It is important for the family to know the maximum the PHA will pay while searching for a unit. The actual PHA subsidy can be calculated only after the family has selected a specific unit.

CALCULATING MAXIMUM SUBSIDY	
Payment Standard	\$450
Minus TTP	<u>\$210</u>
Equals Maximum Subsidy	\$240

In the examples given, the family knows that, with its monthly adjusted income of \$700, it must contribute at least \$210 and may pay up to a maximum of \$280. The maximum the PHA will contribute is \$240. In this case the PHA may tell the family that the maximum gross rent that can be approved is between \$450 and \$520.

HELPING THE FAMILY DETERMINE WHAT RENT IT CAN AFFORD			
Family TTP			
(Minimum the family will pay)	\$210		
Maximum Initial Rent Burden			\$280
plus Maximum Subsidy	<u>\$240</u>		<u>\$240</u>
Family may consider units			
with gross rents between	\$450	and	\$520
If the family selects a unit with a gross rent at or below \$450, the family will pay \$210.			

Exhibit 6-1, *Sample Handout 1*, provides a sample handout that can be used at the briefing to help families understand how the maximum initial rent burden and the maximum subsidy affect and limit their unit choices.

Total Housing Costs

When searching for a unit, it is important for a family to understand that total housing costs include both the rent to the owner and any additional utility costs that the family will need to pay. Exhibit 6-2, *Sample Handout 2*, can help a family understand the total housing cost for an actual unit.

Utility Allowance

The *utility allowance* is calculated for each family based on a PHA schedule of average utility consumption by unit size for each of the family paid utilities. For example, if the family is expected to pay hot water, heat, and other electric, the PHA uses the utility schedule for the appropriate unit size for each of the utilities and adds the amounts allowed on the utility schedule for the cost of utilities to be paid by the family to determine the total utility allowance for the family. If all the utilities are included in the unit rent, there is no utility allowance.

Rent to Owner and Gross Rent

The *rent to the owner* is the full rent the owner is charging for the unit including any utilities the owner provides under the lease. The *gross rent* represents the entire housing cost. It is calculated by adding the rent to the owner and the utility allowance for the unit. If all the utilities are included in the rent, the rent to the owner and the gross rent will be the same.

GROSS RENT	
Rent to Owner	\$300
Utility Allowance	+ <u>\$125</u>
Gross Rent	\$425

6.3 CALCULATIONS COMPLETED FOLLOWING UNIT SELECTION

HAP Subsidy

The actual HAP payment can be calculated only after the family has selected a unit and the gross rent for the unit is known. The subsidy cannot exceed the maximum subsidy calculated above but may be less than the maximum subsidy if the gross rent for the unit is less than the payment standard amount. The HAP is the lower of:

- The payment standard for the family minus the TTP, or
- The gross rent minus the TTP.

CALCULATING THE HAP PAYMENT	
Payment Standard	\$450
TTP	\$210
If the family selects a unit with a gross rent of \$425, the HAP is the lower of:	
Payment standard – TTP (\$450 - \$210) = \$240; or	
Gross rent – TTP (\$425 - \$210) = \$215.	
HAP = \$215	
If the family selects a unit with a gross rent of \$500, the HAP is the lower of:	
Payment standard – TTP (\$450-\$210) = \$240	
Gross rent – TTP (\$500 - \$210) = \$290	
HAP = \$240	

Family Share

The *family share* is the family's contribution toward the gross rent. The family share may be the TTP or a higher amount, depending on the unit the family selects. For a family leasing a unit with a gross rent at or below the payment standard for the family, the family share will be the same as the TTP.

If a family leases a unit with a gross rent above the payment standard for the family, the family share is the TTP plus any amount by which the gross rent exceeds the payment standard. Although it is important for families to understand this concept while searching for housing, the family share cannot be calculated until a unit is selected.

CALCULATING FAMILY SHARE FOR A 2 BEDROOM FAMILY

2 Bedroom Payment Standard:	\$450
Monthly Adjusted Income:	$\$700 \times .30 = \210
Monthly Income:	$\$740 \times .10 = \74
Welfare Rent:	N/A
PHA Minimum Rent:	\$25
Total Tenant Payment:	\$210
Maximum initial rent burden:	$\$700 \times 40\% = \280

Family selects a 2 Bedroom unit with a gross rent of \$425.

Compare the gross rent to the payment standard of \$450.
The gross rent is less than the payment standard, therefore,
Family Share equals the TTP of \$210.

FAMILY SHARE WHEN THE GROSS RENT EXCEEDS THE APPLICABLE PAYMENT STANDARD

2 Bedroom Payment Standard:	\$450
Total Tenant Payment:	\$210
Maximum initial rent burden:	\$280

Family selects a 2 Bedroom unit with a gross rent of \$500.

Compare the gross rent to the payment standard. The gross rent exceeds the payment standard by \$50.

Family share = $\$210$ (TTP) + $\$50 = \260
This unit can be rented because the family's share is less than the maximum initial rent burden of \$280.

In the example above, if the family had selected a unit with a gross rent of \$550, the unit could not be approved by the PHA because the family share would exceed the maximum initial rent burden. The gross rent of \$550 exceeds the payment standard by \$100. The family share is calculated as the TTP of \$210 + \$100 or \$310, which exceeds the maximum initial rent burden of \$280.

Note that a subsequent rent increase during the family’s occupancy of the unit that causes the family share to exceed 40 percent of monthly adjusted income is permissible so long as the new rent to owner is determined to be reasonable. The maximum initial rent burden applies only at the commencement of an assisted occupancy in a particular unit.

Impact of Unit Selection on Subsidy

When a family selects a unit with fewer bedrooms than the family unit size listed on the housing choice voucher, the PHA is required to recompute maximum subsidy. The PHA must apply the payment standard amount for the smaller of the family unit size listed on the family’s housing choice voucher or the unit size selected by the family. The utility allowance to be used is always based on the actual size of the selected unit.

Family Rent to Owner

The family rent to owner is the portion of the family share that is paid to the owner for rent. If the family is not responsible for paying any utilities under the lease, family rent to owner will equal family share. Where families are responsible for directly paying some or all of the utilities, family rent to owner is calculated by subtracting the HAP from the rent to the owner.

CALCULATING FAMILY RENT TO OWNER	
Rent to the Owner (including all utilities)	\$450
Less HAP	<u>\$240</u>
Family Rent to Owner	\$210

Utility Reimbursement

The amount of the utility reimbursement is the amount by which the HAP payment exceeds the rent to the owner. When there is a utility reimbursement, the PHA pays the full amount of the rent to the owner and sends the utility reimbursement to the family or the utility company.

CALCULATING A UTILITY REIMBURSEMENT	
HAP	\$415
Less Rent to Owner (including all utilities except electric)	<u>\$390</u>
Utility Reimbursement	\$25

Note: In this example the tenant pays no rent to the owner.

Prorated Assistance

For families that include both members who are citizens or have eligible immigration status and members who do not have eligible immigration status (or elect not to state that they have

eligibility status), the amount of assistance is prorated, based on the percentage of household members who are citizens or documented eligible immigrants. To calculate prorated assistance, the PHA must follow these steps:

1. Determine gross rent (rent to owner plus utilities) for the unit.
2. Determine the HAP amount, taking into consideration the income of all household members.
3. Determine the proration factor by dividing the number of eligible family members (citizens and those with eligible immigration status) by the total number of members in the household.
4. Multiply the HAP amount calculated in Step 2 by the proration factor calculated in Step 3 to determine the family's eligible subsidy portion or prorated HAP.
5. Subtract the prorated HAP (Step 4) from the gross rent (Step 1).

PRORATION OF HAP: FAMILY OF FOUR
WITH ONE INELIGIBLE NONCITIZEN

Gross Rent:	\$550
Payment Standard Amount:	\$600
TTP based on all household income:	\$250

HAP equals the lesser of:

Payment Standard less TTP ($\$600 - \$250 = \$350$) or
Gross Rent less TTP ($\$550 - \$250 = \$300$)
HAP = \$300

Proration Factor: 3 eligible members of 4 total members = $\frac{3}{4} = .75$
Prorated HAP: $\$300 \times .75 = \225

Calculate Family Share:

Gross Rent less Prorated HAP equals Family Share
 $\$550 - \$225 = \$325$

6.4 MINIMUM RENT

The Public Housing Reform Act of 1998 makes permanent a minimum rent requirement of between \$0 and \$50. PHAs are required to formally adopt a minimum rent policy. The policy can establish the minimum rent anywhere within the statutory range. PHAs must amend their PHA administrative plans to reflect the policy. The PHA's minimum rent is a minimum TTP and becomes a part of the TTP formula as indicated on page 6-1. A family whose TTP has been set at the minimum rent may receive a utility reimbursement.

CALCULATION OF UTILITY REIMBURSEMENT FOR
FAMILY PAYING MINIMUM RENT

Rent to Owner		\$390
Less HAP		<u>\$415</u>
Utility Reimbursement		(\$25)
Family's TTP (PHA's minimum rent)		\$50
Plus Utility Reimbursement		<u>\$25</u>
Equals the appropriate Utility Allowance for the unit		\$75

Exemptions from the Minimum Rent Requirement

If a PHA adopts a minimum rent policy of greater than \$0, the PHA must grant exemptions from the minimum rent requirement to any family if the PHA determines that the family is unable to pay the amount due to financial hardship, unless the hardship is temporary. Financial hardship includes circumstances in which families:

- Have lost eligibility or are awaiting an eligibility determination for a federal, state or local assistance program, including a family having a noncitizen household member lawfully admitted for permanent residence and who would be entitled to public benefits but for Title IV of the Personal Responsibility and Work Opportunity Act of 1996;
- Would be evicted as a result of imposing the minimum rent requirement;
- Experience income decreases because of changed circumstances including the loss of employment;
- Have a death in the family; or
- Have other circumstances as determined by the PHA or HUD.

If a family requests a hardship exception, the PHA must suspend the minimum rent charge and adjust the HAP payment effective on the first of the month following the change in the family's circumstances. The PHA may request documentation of the hardship and must determine promptly if the hardship is temporary or long term.

If the hardship is determined to be temporary, the minimum rent is suspended for a period of 90 days from the date of the family's request. At the end of the 90-day period, the minimum rent is reinstated retroactively to the date of suspension. The PHA must offer to execute a reasonable repayment agreement to cover the minimum rent charges accumulated during the suspension period. Hardship determinations are subject to the PHA's informal hearing process.

EXHIBITS 6-1

SAMPLE HANDOUT1: HOW MUCH DOES THIS UNIT COST?

Rent to Owner \$ _____

Utilities not included

List appropriate utility allowances from the utility allowance schedule in your briefing pocket.

Heat \$ _____

Lights \$ _____

Cooking gas/electric \$ _____

Water \$ _____

Appliance \$ _____

Air Conditioning \$ _____

Other \$ _____

Total Utility Allowance \$ _____

Gross Rent \$ _____

EXHIBIT 6-2**SAMPLE HANDOUT 2
CAN I AFFORD THE UNIT I HAVE FOUND?**

Note: Use this handout when the gross rent is greater than the payment standard.

In the housing choice voucher program, the maximum subsidy is set first. That maximum subsidy is based on a “payment standard” established by the PHA. If you wish to lease a unit with a gross rent (rent plus utilities) that is more than the payment standard, you will have to pay that excess, in addition to a designated “total tenant payment” that is based on a percentage of your income.

Program regulations prohibit a family from paying more than 40 percent of its adjusted monthly income if the gross rent for the unit is more than the payment standard when rental assistance begins. The following information is provided to assist you in finding a unit that is affordable to you and eligible within the 40 percent maximum guidelines.

PAYMENT STANDARD		\$ _____
TOTAL TENANT PAYMENT*		\$ _____
MAXIMUM SUBSIDY	=	\$ _____
MAXIMUM SUBSIDY		\$ _____
40 PERCENT OF MONTHLY ADJUSTED INCOME	+	\$ _____
MAXIMUM ALLOWABLE GROSS RENT**	=	\$ _____

*Total Tenant Payment greater of (1) 10 percent of monthly income, (2) 30 percent of adjusted monthly income, (3) the welfare rent, or (4) the minimum rent.

**Gross Rent = rent plus all utilities to be paid by tenant.