

Rental Integrity Monitoring

Starting in 2000, HUD has conducted annual quality control studies of rental assistance subsidies in Low Income Public Housing, tenant-based Section 8 (Housing Choice Voucher) and project-based Section 8 programs. In 2002, HUD published a report declaring that the family certification and rent calculation practices of PHAs and owner of Section 8 properties were seriously flawed, resulting in net losses of rent subsidy that exceed \$2 billion each year.

This conclusion inspired many policy changes by HUD, including the introduction of the Rental Housing Integrity Improvement Project (RHIIIP), Rental Integrity Monitoring (RIM) and the creation the Enterprise Income Verification (EIV) system.

In 2002, HUD also committed (along with many other federal agencies) to reduce losses due to subsidy payment errors by 50% by 2005. Although you may never have heard the results of this effort, PHAs actually reduced the overall net loss of subsidy payments by almost 60% by 2005, exceeding HUD's goal by a wide margin.

2007 Study Results

HUD continues to conduct the quality control studies on rental assistance subsidy each fiscal year. The results of the most recent study, conducted for the federal fiscal year of 2007, were published recently. The study randomly selected 600 housing projects in the US and Puerto Rico, including Low Income Public Housing, tenant-based Section 8 and project-based Section 8, and selected 2,404 households from those projects to be interviewed.

From the tenant interviews, the researchers independently completed a re-exam for each of the selected households, including rent calculation, and generated a 50058 or 50059 form for each household, following HUD's rules for re-exams, rent calculations and data verifications. Next the researchers compared their independently generated rent calculation to the rent calculation in the PHA's or owner's system. As in the previous studies, that comparison identified errors that led to either an overpayment or underpayment of rent by many families.

The results of the 2007 study are summarized in the following table. The table shows the percentage of certifications in each program type that had errors which resulted in either an underpayment of rent (more subsidy paid than should have been paid) or an overpayment of rent (less subsidy paid than should have been paid).

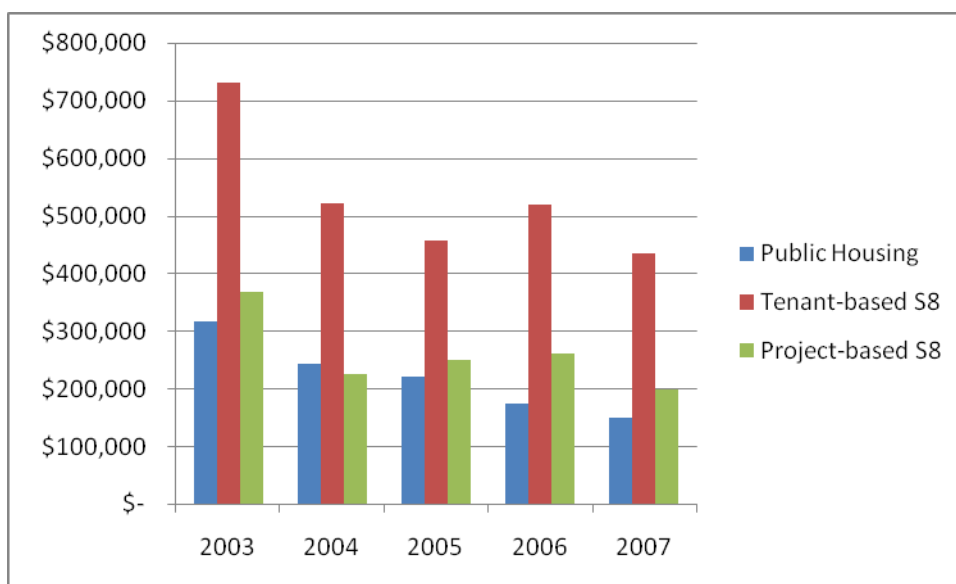
PROGRAM TYPE	RENT UNDERPAYMENT	RENT OVERPAYMENT
Public Housing	16%	14%
Section 8 – PHA	19%	20%
Section 8 – Owner	19%	17

Totals	18%	18%
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Although, on average, the percentage of certifications with rent underpayments and the percentage with rent overpayments were equal, the study determined that the average rent underpayment was \$58 per month and the average rent overpayment was \$30. The following table shows the payments and underpayments in aggregate dollar cost for 2007.

PROGRAM TYPE	RENT UNDERPAYMENT	RENT OVERPAYMENT	NET SUBSIDY LOSS
Public Housing	\$106.4 million	\$43 million	\$63.4 million
Housing Choice Voucher	\$282.8 million	\$152 million	\$130.7 million
Project-based Section 8	\$134.5 million	\$64.6 million	\$69.8 million
TOTALS	\$524 million	\$260 million	\$264 million

A \$264 million net subsidy loss for 2007 is a problem, but if we look at the subsidy loss trend over the last 5 years, there is a lot of good news. As the following graph shows, the total gross subsidy errors (overpayments and underpayments combined) has been declining over that period of time. (Dollars shown in millions.)



As the graph indicates, the clear trend in the last five years has been to adopt practices that reduce subsidy errors in low income housing. The 2007 study points out that there is still room for improvement in some areas.

One of the main causes of rent errors was shortcomings in the verification process. The study found that income items were not verified in 25% of the cases the researchers reviewed. The biggest errors involved earned income, pension income and medical allowances.

Other interesting findings from the research are as follows:

- Only 2% of newly certified households failed to provide documentation of Social Security Numbers for one or more household members and only 2% lacked the signed declaration forms or evidence accepted as proof of citizenship.
- 15% of all households occupied a unit with too many or too few bedrooms
- 74% of new admission files contained rent reasonableness documents, as did 66% of annual re-exams files.
- 90% of utility allowance values in tenant files matched the utility allowances that the researchers calculated independently.
- 92% of the payment standards used by the agencies matched the payment standards that the researchers independently determined.
- 7% of the households had calculation errors on the 50058 or 50058. (This number ignores subsidy errors arising from lack of sufficient verification or tenant income reporting problems.)

One other finding from the study that should surprise no one is that projects that retained experienced staff (over 5 years on average) had lower average rent errors. Staff quality is a critical factor in reducing errors.