



Testimony of Roberta Graham
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Quadel Consulting
House Financial Services Committee
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Chairman Biggert, Ranking Member Gutierrez and other Members of the Committee, my name is Roberta Graham and I am Vice President for Housing Choice Voucher Services at Quadel Consulting Corporation. Quadel Consulting is a private company that assists public housing agencies and state housing agencies in managing and operating assisted housing programs. For over 30 years, we have provided private management, consulting and training to the housing community. Quadel is a national expert in the Housing Choice Voucher, HUD-subsidized multifamily, Public Housing and Low Income Housing Tax Credit programs. We have served several thousand clients, including local public housing agencies, state agencies, federal agencies, nonprofit organizations, private owners, managers and developers of assisted housing. Since 1984 Quadel has managed front line operations for 29 PHA programs, including ongoing operations and special turnaround efforts.

Currently, Quadel manages the work of five Housing Choice Voucher programs in Miami-Dade County, Memphis, Newark, Baltimore City and the State of Louisiana. We also directly administer state-wide project-based Section 8 programs in the states of Indiana and North Carolina. In addition, Quadel provides professional training and technical assistance in affordable housing programs throughout the country. Quadel's success in training, consulting, and direct management results from our extensive knowledge of housing program regulations and funding, and an understanding of how these programs operate "on the ground."

I have worked in affordable housing for 32 years, and currently lead the division that provides direct management services of Housing Choice Voucher programs and a variety of consulting services to HUD and PHAs. I have oversight responsibilities for the start-up and ongoing management of voucher management contracts, including office setup, developing organizational plans, recruiting, hiring and training staff, developing program policy and procedures and ensuring development of appropriate systems to complete and track program activity. I have deep experience in turning around troubled programs, changing organizational culture and correcting program deficiencies.

The Housing Choice Voucher Program

The Housing Choice Voucher program is a public-private housing solution for low-income families, people who are disabled and the elderly. The program is funded by the federal government and administered by local housing agencies, and a true public-private partnership which depends on private landlords. The program permits families to choose private market housing and, because the subsidy is tied to the tenant rather than a project, families can move closer to areas of employment, education or other opportunities that can lead to self-sufficiency.

The program has become incredibly complex over time, with an ever-changing and extensive web of rules and regulations, including additional administrative requirements. While Congress has worked to hold voucher subsidy funding harmless, cuts in administrative fees will impact the ability to provide assistance to families in need. The voucher program would benefit from simplification, and with reduced fees, the simplification of and relief from some burdensome requirements is imperative. This year, administrative fees were cut by Congress and HUD has determined that administrative fees will be funded at an 83% proration. Because PHAs were funded at a much higher proration for the first 6 months of 2011 before the FY2011 appropriations bill was in place, available administrative fees for the remainder of 2011 will be significantly below the 83% proration.

Given the efforts of Congress to close the growing deficit and reduce discretionary spending, and expected additional cuts in 2012, finding ways to administer the voucher program more cost-effectively is vital. The complex requirements in the voucher program have long been difficult to administer and many requirements are administratively costly. Now, as administrative fees are cut, we urge you to look at ways to streamline and simplify the program. We believe that it is possible to reduce red tape and burdensome and duplicative requirements without sacrificing the efficacy and integrity of the voucher program.

After 40 years of implementation and increasing complexity, the program is due for a serious design review that may result in significant program changes. While we believe that significant changes may be warranted, my testimony today focuses on the draft provisions in the Section 8 Savings Act, or SESA, as well as our top recommendations for simplifying the voucher program. In addition, because we are practitioners we have looked beyond the intent of the legislation to the implementation of these provisions.

The draft SESA provisions are a good start at simplifying program operations, and we applaud your attention to the important needs in this program and for affordable housing around the country. We agree with the intent of the legislation and the focus on income recertifications and inspections as the first places to cut back regulations. We are concerned, however that certain provisions, though well intentioned, are likely to result in increased administrative requirements. We look forward to working with the committee to ensure that the bill and its implementation live up to your intent to streamline and simplify program requirements.

Quadel has analyzed the costs of voucher program administration in one location and has found the highest burdens in annual reexaminations, inspections, interim reexaminations, participant moves and income calculation and verification. The following table provides data on one PHA Housing Choice Voucher program managed by Quadel to illustrate how the administrative expenses break down by function.

Example of HCV Program Operation Expense Breakdown

Program Function	% Expenses
Annual Reexaminations	35.7%
Inspections	17.5%
Moves	13.5%
Interim Reexaminations	12.1%
Oversight	8.6%
Admissions	6.7%
Special Programs	5.8%
Total	100.0%

Though the table above represents only one program, in our experience, it is likely that administrative burdens in other PHA programs are similar.

Given the concentration of high costs in five discreet program functions mentioned above, we focus our testimony on ways to simplify and reduce burdens in these areas. Simplifications in these core voucher program administrative functions will save the most staff work, and therefore costs, to operate the program.

Annual Reexaminations

The reexamination of household composition, income and allowances is required annually for all assisted households. PHAs schedule this work to begin from 60 to 120 days in advance of the scheduled reexamination date. General steps in the process include:

1. Schedule reexamination appointments, or data collection processes.
2. Collect data from applicants/participants – this is typically done either through in-person interviews or by mail – application forms must be completed, authorizations to verify income and household status signed and documentation of income sources and allowances submitted.
3. Review submitted data and collect any additional or missing information from the family.
4. Compare data collected from households to data available in HUD’s Enterprise Income Verification (EIV) system. EIV contains data available from Social Security Administration and Department of Labor sources as well as HUD data.

In addition to providing data on income, EIV alerts the user to a variety of actual and potential compliance and program abuse issues. The EIV report flags family members for whom the income data available from other sources is significantly different than that reported by the family (and recorded in HUD’s PIC system). It also flags individuals who are listed in more than one assisted unit and those whose identity and citizenship status has not been fully confirmed.

5. Resolve any discrepancies/findings. This may include additional income verification work, discussion with household. (See below for additional discussion of EIV).
6. Calculate income and allowances, enter data into the System Of Record (SOR) to calculate family rent and housing assistance payment.
7. Send notification of changed payments to households (or termination notices if it is determined the household is no longer eligible) and the landlord.
8. Submit data from SOR to HUD's PIC system (correcting any errors identified by PIC)
9. Generate revised/new monthly assistance payments to landlords.

Through the reexamination process, PHAs ensure that the correct family rent and assistance payments are calculated. This is an important activity, however as noted above, 35.7% of administrative fees are spent on this activity—more than any other function. We believe that simplifications and streamlining in reexaminations could result in significant savings without compromising the integrity of the program.

An analysis of two sites managed by Quadel indicates that almost 30% of program participants are on fixed incomes (social security, SSI, pensions, etc.). We support reducing the frequency of annual reexaminations, particularly for fixed income households, however the draft legislation still requires a recalculation of income in one of the two “off years,” (based upon a HUD published inflation factor) which is to be applied to certain, but not all types of fixed incomes. This means that the true reduction in administrative work will be only 10% of the scheduled reexamination cases for an HCV program each year. We would suggest a revision that would reduce more of the reexamination work.

We recommend looking at reducing the frequency of annual reexaminations for **all** households to a biennial schedule. This will result in significant administrative savings.

While the most recent comparison from one of our programs indicates there is no change in HAP from one year to the next for approximately a third of the families regardless of income source, a more complete review of the data would be needed to ensure no increase in subsidy would result from this change or to require reexams in certain circumstances.

Housing Quality Standards Inspections (HQS)

HQS inspections of assisted units are required before allowing a participant to rent a unit with a voucher and also must be performed annually thereafter. If deficiencies are found, PHAs must verify that the deficiencies are corrected within specific time frames and if they are not corrected, take enforcement action. General steps in the process include:

1. Identify unit for inspection.
 - a. For new unit – receive request for tenancy approval form.
 - b. For currently assisted unit – system of record (SOR) generates a list of inspections due for their annual inspection.
2. Schedule inspection date and time with landlord (or participant).
3. Travel to unit and conduct inspections (walking through each room, exterior, yard and outbuildings, and looking at neighborhood conditions).
4. Record results by items in each room either on paper or in automated inspections software.

5. Generate letters notifying owners of deficiencies that result in a fail rating, the required correction date, information on how and when the correction of deficiencies will be confirmed, and penalties to be applied (abatement or contract termination) if corrections are not made on time.
6. Confirm correction of deficiencies (most frequently with a 2nd inspection, but owner/tenant certification is permitted).
7. If deficiencies are not corrected, place abatement of payments within payment system and; generate another notification to owner/tenant, describing next required steps.
8. When unit passes, enter data into SOR, continue making payments.
9. If unit does not pass after final permitted inspection, terminate contract (and participant assistance if appropriate) and begin assisting participant to find a new unit.

An analysis of one of our voucher programs shows that 17% of our administrative fees are spent on inspections, the 2nd most costly function. Assurance that assisted housing is decent safe and sanitary is a critical part of the HCV program. Scarce federal dollars should not be used to assist unsafe housing. Many, but not all, landlords maintain units in safe condition. Reducing the frequency of inspections on properties with a known track record of safety and good quality units would reduce a significant burden on landlords while reducing the administrative cost to PHAs.

The draft legislation proposes an administrative reduction by proposing biennial inspections for all units and allows for an alternative inspection methodology for units that have undergone another type of inspection within the past twelve months. We support biennial inspections because this will result in significant cost savings to PHAs, and will speed up the process of approving units and encouraging more private landlords to participate in the program. In addition we support the use of alternative inspections, and would welcome the opportunity to provide input to assist HUD in ensuring a simple process of implementing these requirements.

Further, we believe the reduction in inspection frequency should be tied to documented history of good quality housing. One proposal would be to inspect all units on the anniversary of the first inspection and thereafter reduce inspections to once every two years when the anniversary inspection results in no fail deficiencies.

To ensure units are maintained properly even though they are not inspected annually, PHAs could be required to implement a rigorous quality monitoring program. Random quality assurance monitoring would communicate to owners the importance of maintaining good housing quality.

While the provisions allowing for withholding of HAP will meet the intent of providing assistance to families more quickly, implementing and tracking a new system for withholding HAP is an additional administrative requirement in the program, and will add additional administrative costs.

In addition, the provisions related to using abated payments to assist participants to move to another unit, add an administrative requirement that does not currently exist and therefore reduces the cost savings generated by less frequent inspections.

Interim Reexaminations

Though PHAs have some discretion in establishing requirements for participants to report changes in income and circumstances during the year, there are some changes that require action on the part of a PHA between annual reexaminations. Families must report changes in household composition, may report decreased income (and when they do the PHA must process a corresponding reduction in rent), and may be required, based upon PHA policy, to report increases in household income. Interim Reexaminations are unscheduled and the timing is unpredictable, they generate unscheduled and unpredictable workloads for PHAs. General steps in the interim process include:

1. Initiate interim reexamination. Typically initiated by participant for either decrease in income, increase in income (only if required by PHA policy) or change in household composition. May be initiated by the PHA if fraud or abuse is suspected.
2. Collect information and documentation related to changes in circumstances.
3. Compare data collected to EIV data.
4. Complete verification of all changes in household composition and income.
5. Recalculate income and rent.
6. Enter information into system of record – submit record to HUD PIC.
7. Send notification of changes to tenants/owners.
8. Implement changed payment.

While requirements for interim reexaminations include verification only of factors that have changed, the complicated definition of income and use of Enterprise Income Verification (EIV) reports (described below) do apply to this process. PHAs may require that households report all changes, including increases in income, which result in a HAP savings. In order to reduce workload, however, many PHAs currently do not require families to report increases in income, but only process decreases. At one Quadel managed site, 12.1% of the administrative fee is spent on interim reexaminations.

The SESA provisions require interim rent decreases if household reports a decrease of 10% or more of annual adjusted income, and interim rent increases if household annual adjusted income increases by more than 10% (except that increases in earned income are exempted so long as there was no previous decrease in rent related to earned income). The draft legislation as written will require processing approximately 75% of an interim to determine whether it must be completed and implemented.

We fully support a SESA provision that will result in fewer interims. In order to achieve that end, we recommend that interims be required only when gross income increases or decreases (and allowances change) by 15% or more.

Income Determinations

The definition of “income” for assisted housing programs has grown more and more complex over the years, and PHAs must spend a significant amount of time making income calculations. Some examples:

- (1) The regulations contain nine broad categories of income to be included and 17 categories of income that are not counted. Significant research and in-depth knowledge of other public programs is required to determine income source category.
- (2) There are exceptions to the basic classifications based upon the characteristics of individual household members (e.g., minors, students, disabled persons, foster children and adults, live-in aids and their children, and for certain periods of time). For example:
 - a. Earned income is generally counted but there are a number of exceptions including income of minors, some component of military pay, income of live-in aides and some earnings of qualified persons with disabilities.
 - b. Lump sums a family receives are sometimes not counted, sometimes counted as assets and sometimes counted as income.
 - c. Only the first \$480 of full time student earned income is counted (unless they are the head of household or spouse) (but an extremely complicated rule regarding eligibility and the determination of income for students under the age of 24 must be followed when determining income eligibility for program participation).
 - d. Increases in income are not considered for 12 months for persons with disabilities at certain income levels and 50% of increases are not considered for an additional 12 months (and the 24 months exemption can occur over a 48 month period).
- (3) PHAs are required to verify and enter into data systems income sources that (by regulation) are not counted and have no impact on assistance payments.
- (4) "Income" includes income from assets. Current regulations require:
 - a. Complex calculations of cash value of such things as insurance policies, investment accounts, retirement accounts.
 - b. PHAs must determine if cash withdrawn from an asset is a reimbursement of amounts invested or new earnings.
 - c. Calculation of both the actual income from assets and an imputed income from assets if family assets exceed \$5,000 (and the greater amount must be included as income).
- (5) Deductions from income (child care, disability assistance expenses, medical expenses) require complex calculations.
 - a. Child care expenses are allowed only for children under the age of 13 (and must be prorated if a care provider watches a 13 year old and a 10 year old); are allowed to enable a person to work, look for work, or go to school. Families may not deduct more child care expenses than income earned by the person who is enabled to work, but this limitation only applies to the portion of the child care expense attributable to work and not child care expenses attributable to looking for work or going to school. The rule is hard for families to understand and provide documentation for and difficult for staff to correctly calculate.
 - b. Disability assistance expenses are permitted only to enable someone to work and are capped by earnings.
 - c. Medical expenses are allowed only for elderly and disabled households, require review of out of pocket medical expenses from the prior year and a determination of which expenses (past and future) can be anticipated to occur in the coming year.

While each of the specifications in the definition of may make some sense individually, collectively, the complexities of the definitions make the verification process extremely labor intensive. This work results in only marginal differences in the bottom line of assistance payments.

For example, an analysis of the records for one program administered by Quadel shows that the verification and calculation of assets and income from assets resulted in an **annual HAP reduction (savings) of \$.94 per household**. For this PHA, which has 1679 program participants, this was an annual HAP savings of \$1,581.00. Analysis of a second program managed by Quadel shows that the same verification and calculation of assets and income from assets, resulted in an **annual HAP reduction (savings) of \$.88 per household**. This was a PHA-wide savings of \$11,802 for 13,469 participants.

Income definitions are used for admissions, annual reexaminations, and interim reexamination functions (a total of nearly 55% of program costs). By streamlining the definitions and the way that income is computed, we could find cost savings in all three of these voucher administrative functions without significantly impacting assistance payments.

We strongly support the proposed elimination of the requirement to verify and report excluded income. This will reduce staff time and administrative resources to verify and collect data on income sources that have no impact on assistance payments.

Based on our two examples of \$.94 and \$.88 in increased rent per household per year for households with assets that was provided above, we would propose that the requirement to verify assets and calculate income from assets be eliminated. This would be dependent on additional data from HUD and PHAs confirming the marginal benefit of this computation.

If assets and income from assets remain in the definition of income, we believe that allowing families to self-certify to assets that total less than \$50,000 as included in the SESA provisions will save considerable time. We would also suggest that families be permitted to certify to the income earned on net assets of less than \$50,000 to further reduce the administrative burden.

Allowances for child care, medical expenses and disability assistance are incredibly complex and require that PHAs sort through medical bills, child care payments and disability assistance expenses. Further, the PHA must determine what the maximum allowances can be for each of the allowances (and the rules for determining the maximum allowance are different for each). The proposed legislation retains the allowances, retains the rules on maximum allowances, but reduces the amount that will be deducted from income. The new legislation updates the amounts of allowances and makes some calculations more consistent with IRS rules (medical deductions), however the administrative costs associated with gathering tenant data, verifying and determining allowance amounts have not been simplified. We recommend establishing standard family allowance amounts for families who qualify for medical, disability assistance and child care allowances and eliminating the individual allowances. This will take research to determine how to standardize allowances while ensuring a neutral financial affect.

Verification Requirements and the Enterprise Income Verification (EIV) System

Though the verification of income and program eligibility requirements are not legislated, but regulated and implemented by HUD, we believe changes to HUD requirements are needed as well. HUD requirements require considerable resources to determine program participant incomes. These rules are time consuming and challenging for PHAs to implement and are examples of program complexity. We would welcome the opportunity to work with HUD and Congress to simplify the verification requirements, which would go a long way towards reducing the administrative costs to operate the program.

The HCV program has always had a requirement to verify any information used to determine eligibility and rent amounts. Third party verification (direct information from the source of income or expense) has been required since the inception of the program. Until last year, HUD's preferred method was to verify information directly with the source and not use information provided directly by the participant unless third party verification was not possible. It is time consuming to collect information directly from such sources (employer, welfare department, bank, and physician) and is a large administrative cost to the program. HUD has developed a hierarchy of verification that is required to be used, and when the highest form of verification is not available, participant records must be documented as to the reason the higher form of verification is not used. Documentation of the information used to calculate income and rent in all program transactions is the single most time consuming activity performed in the HCV program.

More recently HUD has developed the Enterprise Income Verification (EIV) system, intended to ease the administrative burden of income verification and provide independent information on household income that will identify fraud and abuse of program funds. EIV is an important and valuable HUD initiative that enables income matching among HUD, Social Security and the Department of Labor and enhances the ability of housing program administrators to confirm the identity and income of program participants. The EIV program has the potential to streamline the income verification process and reduce administrative burden. However, the current implementing regulations impose requirements that actually increase administrative burdens and complicate income verifications without resulting in greater HAP accuracy. Relatively minor changes could be made that would reduce these burden without compromising HUD's ongoing Rental Integrity initiative.

EIV reports provide an annualized income based upon averaging 4 quarters of data. Providing this calculation is a service and presents the PHA with valuable information; however the rigid protocol for using EIV data often results in false discrepancies that require PHAs to complete additional verification. This occurs both because there is a lag in EIV data and because families circumstances change over time. HUD regulations require that we compare anticipated (projected) income with backwards-looking EIV data and then verify when a discrepancy exists. The two data sets are from different points in time and cannot always be compared. We recommend permitting HCV administrators to use EIV data as a tool but eliminate the detailed prescriptive processes that generate the false discrepancies. PHAs should be provided with more flexibility to interpret the data and determine when a genuine discrepancy exists. If EIV contains good income data, there should be no requirement that additional and duplicative verification be conducted.

In addition, the current requirement to run an EIV report 120 days after each New Admission (new requirement in the past year) creates an unnecessarily complex workload that results in many “false positive” income discrepancies that are burdensome both to administrators and program participants.

Because of the lag between the eligibility determination and the 120 day EIV review, the calculation methodology results in false discrepancies, causing the PHA to complete additional verifications that produce little or no benefit in terms of HAP accuracy. In addition, the timing of this transaction causes the PHA to do this additional work within just a few months of the start of the next annual reexamination process.

While the practice of the 120 day review could be continued, PHA’s should only be required to check for unreported income sources, rather than both unreported and underreported income. This protects the program from abuse without triggering the workload of false discrepancies cause by the time lag.

As part of EIV implementation a six-level verification hierarchy was established that requires the PHA to go through each level in order. The effect is to cause more focus on documenting the process than the correct answer and to create some illogical outcomes. For example: EIV requires 2 paystubs and if two are not available the next form of verification (contacting third parties) is required. This is so even if a paystub has year-to-date information representing multiple paystubs. HUD should allow PHAs latitude in using the verification levels.

In 2010, HUD loaded into EIV the names of all families that were terminated from the program since 2008 and required PHAs to determine the status of each termination and to enter into EIV information about the circumstances under which the family was terminated and any amounts owed. The ability to identify previous program abuse or debts is important, but creating a retroactive workload is problematic. PHA data systems did not contemplate and therefore cannot easily (or cannot at all) present the required data. We recommend that PHAs only be required to implement this requirement prospectively, rather than retroactively. This uses the EIV tool to help prevent further program abuse going forward without imposing the significant retroactive workload on PHAs.

Family Self-Sufficiency

The Family Self-Sufficiency program experiences various levels of success around the country. Currently that varies depending upon some factors within PHA control and some outside of PHA control. The availability of services required by participating families has a direct effect on how successful some programs are. That will not be changed solely by HUD funding. However, the ability of PHAs and owners or sponsors of multifamily properties to provide FSS program services and coordination will be directly affected by program funding. We support the SESA provision that allows for funding of self-sufficiency coordinators.

Limited English Proficiency

We strongly support the SESA provisions that establish a task force to identify vital documents used in the program and to facilitate the translation of those documents. This will provide much needed assistance to PHAs operating HCV programs in providing accurate, well written information in a program participant's primary language. This centralized translation will provide more consistent program information nationwide and will be a great assistance to low income households participating in the program. However, the potential charges to PHAs for interpretation services at times when HUD funding is inadequate will result in unexpected, unbudgeted costs to PHAs and will affect the ability of PHAs to fund program administration.

Rent Simplification

While the provisions of SESA and the recommendations in this testimony would lead to decreased administrative costs, we believe that to significantly reduce the cost of program administration, Congress should consider moving to a tiered rent structure instead of one based on individual income and rent calculations. We propose that Congress establish tiers of rent based upon gross household income. For example, under a tiered rent structure, household's earning between 0 and 20% of Area Median Income (AMI) would pay one rent, while those earning between 20% and 40% of AMI would pay another rent amount, and so on. This would eliminate the need to do complex and time consuming calculations of income, assets, and allowances, and it would decrease the need for interim reexaminations, unless there was a substantial change in income. While this may be controversial because it may result in rent burdens increasing for low income families, it will also provide incentives for families to increase their household income.

Conclusion

The Housing Choice Voucher program provides rental assistance to millions of Americans and we thank the Committee for spending time today considering how to make the program more efficient. As practitioners, we support the goal of simplifying the program so that it can continue operating within current and future funding levels while maintaining high quality assistance to low- income families. The SESA draft that you have released is a step in the right direction and would lead to simplified legislative requirements in some cases. In other cases, however, we believe the legislation may lead to regulatory burdens that go against the intent of the legislation. We look forward to working with you to ensure that both legislative and regulatory burdens are eased. As domestic discretionary programs are cut, it is imperative that we look at how to effectively and efficiently manage federal programs with fewer resources. While Congress is reducing funding, we urge you to cut corresponding red tape. We appreciate the opportunity to testify before the Subcommittee and would welcome the opportunity to work with the Subcommittee to refine the proposed SESA legislation.