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Impact of Increased Income on Housing Voucher Programs

Increasing income through employment and Social Security disability benefits is critical for maintaining housing stability. However, for individuals utilizing housing vouchers, fear of losing their vouchers often prevents them from exploring employment. To encourage work, the U.S. Department of Housing and Urban Development (HUD) has numerous incentives to protect those returning to work from immediate rent increases and voucher loss.

Flat Rent versus Income-Based Rent

HUD requires that Public Housing Authorities (PHAs) offer families the choice of paying income-based rent (generally up to 30% of adjusted income) or a flat rate rent, which is based on the market rent charged for comparable units in the private unassisted rental market. Flat rate rents will not be affected by increases in income from employment or disability benefits, but may be higher than income-based rent (citation).

- If a family experiences financial hardship, they may request to switch from flat rent to income-based rent at any time

HUD Earned Income Disallowance (EID)

HUD's EID incentive protects individuals returning to work from immediate rent increases by excluding a percentage of employment income during the first two years after returning to work (citation):

- During the first cumulative twelve month period that a member of a qualified family (as defined in **24 CFR 960.255**) is first employed or the family first experiences an increase in annual income from employment, the PHA must exclude from annual income any increase in income of the family member as a result of employment over prior income of that family member
- During the second cumulative twelve month period after the date a member of a qualified family is first employed or the family first experiences an increase in annual income attributable to employment, the PHA must exclude from annual income of a qualified family fifty percent of any increase in income of such family member as a result of employment over income of that family member prior to the beginning of such employment.
- The disallowance of increased income of an individual family member is limited to a lifetime 48 month period.

For those in public housing, EID applies to a family member residing in public housing whose annual income increases as a result of employment or increased earnings.

For the Section 8 Housing Choice Voucher (HCV) program, EID applies to a family receiving tenant-based assistance whose annual income increases as a result of employment or increased earnings of a family member *who is a person with disabilities.*

Alternative to HUD'S EID Program

Individual Savings Accounts. As an alternative to the disallowance of increases in income as a result of employment, a PHA may choose to provide for individual savings accounts for public housing residents who pay an income-based rent, in accordance with a written policy, which must include the following provisions (citation):

1. The PHA must advise the family that the savings account option is available;
2. At the option of the family, the PHA must deposit in the savings account the total amount that would have been included in tenant rent payable to the PHA as a result of increased income that is disallowed;
3. Amounts deposited in a savings account may be withdrawn only for the purpose of:
    a. Purchasing a home;
    b. Paying education costs of family members;
    c. Moving out of public or assisted housing; or
    d. Paying any other expense authorized by the PHA for the purpose of promoting the economic self-sufficiency of residents of public housing;
4. The PHA must maintain the account in an interest bearing investment and must credit the family with the net interest income, and the PHA may not charge a fee for maintaining the account;
5. At least annually the PHA must provide the family with a report on the status of the account; and
6. If the family moves out of public housing, the PHA shall pay the tenant any balance in the account, minus any amounts owed to the PHA.

HUD Family Self-Sufficiency (FSS) Program

FSS is a program that enables HUD-assisted families to increase their earned income and reduce dependency on rental subsidies. Families are selected to participate by local PHAs and once enrolled in the program, they create an individualized plan for services and training they need to reach self-sufficiency goals.

- Services include: child care, transportation, education, job training, employment counseling, financial literacy, and homeownership counseling
- Any increases in the family's rent as a result of increased earned income during the family's participation in the program result in a credit to the family's escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose.

A fact sheet on the FSS program from February 2016 can be found here.

Termination of Housing Assistance

While families may be paying more in income-based rent as their adjusted income rises through employment, housing assistance payments (HAP) will continue as long as there is a difference in the amount the family is paying to the landlord and the total rent for the property (citation).

- Once the family's income-based payment amount covers the entire rent, the family may continue in the program for six months following the reassessment of rent by the PHA
- If the family circumstances change during the six month period and the family again needs assistance, the PHA conducts an interim reexamination and reinstates assistance
- At the end of six months, if the subsidy has not been restored, the HAP contract will terminate. The PHA must provide the family and the owners at least 30 days advance notification of the proposed termination and an opportunity to request an informal hearing.

Based on the above regulations, families terminated from the housing assistance program will be earning enough money from employment to sustain themselves in housing without utilizing a voucher.