Rent Reform

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Rent Reform

What is rent reform?

“Rent reform” means making changes in the way rent is calculated for people in public housing or in the Section 8 program. Housing authorities, like Home Forward, that are part of HUD’s Moving to Work (MTW) program are required to do rent reform, especially to encourage employment and self-sufficiency.

Why are we doing rent reform?

We agree that the way rent is calculated should be changed. The traditional system is hard to understand, difficult to manage, intrusive into people’s lives, and actually discourages many people from getting or keeping a job. We hope that the changes we have made are improvements for our community and provide good examples that HUD and other cities can learn from.

Who is affected by rent reform?

People who live in Home Forward’s public housing, people who have a housing choice voucher, and people who live in project-based Section 8 have the new rent method. People who have a Veteran’s Affairs Supportive Housing (VASH) voucher and participants in the GOALS self-sufficiency program also have the new rent method. Altogether, this is about 10,000 households. People who are in the Shelter + Care and SRO/MOD programs will continue with the traditional rent method.

What do we want to do?

We plan to do a lot with rent reform. In order to help us make choices about our new rent method, we developed the following guiding principles, which were adopted by our board of commissioners:

Guiding Principles for Rent Reform
1) We will adopt a rent model that works the same across public housing and Section 8. The new model will be designed to provide fair, affordable rents to low-income households in our community.

2) We will create a system that is easier for staff to administer and for residents and participants to understand.
   • We will work to balance program integrity with tenant privacy.

3) We are not trying to make more money for the agency by reforming the rent model, nor can we afford to take in less money. Any additional money that the agency receives from rents will go back into the housing programs to support stability and self-sufficiency.
   • In order to provide stability for vulnerable households, we will create a hardship policy and phase in changes where there may be a rent increase.
We will consider the costs of changes to calculations and workflow on our current staff and technology.

4) We will work to provide incentives for increasing household income and supports for residents and participants to contribute towards their housing costs.

Using these guiding principles, we have changed the rent calculation method, as well as several policies that are part of how we determine rents.

How have we done it?

First, we have created a different rent method for two groups of people: 1) seniors and people with disabilities and 2) work-focused households. The rent for work-focused households will give people time to get on their feet when they first receive their housing assistance, and gradually will create an expectation of contributing more to the cost of their housing. The rent for seniors and people with disabilities will create stability and predictability.

Who is considered senior and/or a person with a disability?

HUD’s definition of “senior” is a person aged 62 or older. We have lowered that age to 55 years and older for the purposes of the rent method (see page 9 for more information about why we think this is a good idea.)

Home Forward will continue to use HUD’s definition to determine if someone qualifies as a person with a disability. See page 12 for the full definition.

For the purposes of rent reform, if the head of household, the co-head or spouse is a senior or person with disability, the household falls into this category.

Who is considered a work-focused household?

All households that are not in the category of seniors and people with disabilities are considered work-focused households. This could include single-member households. The rent method for this group is described on page 5.
Seniors and People with Disabilities

What is the traditional rent method for this group?

Under the traditional rent method, Home Forward provides assistance so that residents and participants pay 30%\(^1\) of their household’s income, after eligible deductions are taken out. A utility allowance is part of the assistance, unless the family lives in one of Home Forward’s buildings where the utilities are already paid for.

What is the new rent method for this group?

The new rent method is based on 28.5%\(^2\) of the household’s gross income with no deductions. A utility allowance is still part of the assistance, except in Home Forward’s buildings where the utilities are already paid. Although Home Forward had previously proposed a simplified utility allowance calculation as part of rent reform, for now we will keep the same utility allowance calculation we are currently using.

We will continue to count the same sources of income that we traditionally use to determine assistance levels. Examples of income counted as part of gross income include wages, social security, pensions, SSI, Temporary Assistance to Needy Families (TANF), child support and unemployment. Examples of income not included as part of gross income are foster care payments, food stamps and Indian Trust payments.

Utility Reimbursements and Review Cycles

Under the traditional calculation, some people with little or no income pay zero rent and some of these households also receive a utility reimbursement from Home Forward. We have kept this policy for seniors and people with disabilities.

Before rent reform, seniors and people with disabilities were on a biennial review cycle, which means that every two years, Home Forward reviewed their income and adjusted their rent according to changes. The new rent method places these households on a triennial review cycle, which means that we will only review their income and adjust their rent every three years\(^3\). If a household experiences a major loss of income, however, they can contact us and request hardship accommodation to lower their rent payment.

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\(^1\) Section 8 / Housing Choice Voucher participants may choose to rent apartments or houses and pay up to 70% of their income, but traditional assistance levels are always based on the 30% threshold.

\(^2\) Initially, the new rent method was based on 27.5% of the household’s gross income for seniors and people with disabilities. In 2013, the federal government imposed across-the-board reductions in federal funding, and Home Forward increased the percentage of gross income used to determine rent payment, in order to avoid terminating families from the program.

\(^3\) Residents living in tax credit properties will be required to meet annually to complete a self-certification of income. These properties are Martha Washington, The Jeffrey, Humboldt Gardens, New Columbia, and the Bud Clark Commons. Section 8 participants may have income certification requirements at other properties where Home Forward is not the landlord, but this is not related to Home Forward’s rent reform policies.
How is this new rent method better?

We have lowered the percentage that we use to calculate rent from 30% to 28.5% to help make up for eliminating deductions, such as medical expense deductions. When deductions are included, it creates more paperwork for families and for us, and it makes mistakes more likely to happen when we’re figuring out the assistance amount. Lowering the percentage gets a very similar result and gets rid of the need for families to keep receipts for their medical expenses and show them to Home Forward, for example. Knowing the medical conditions, treatments and medications that people are taking is not necessary in order for us to provide affordable housing, and we would rather respect people’s privacy. Households with high out-of-pocket medical expenses may qualify for a phase-in or hardship accommodation – see page 10 for more information.

Triennials, or the three year review cycles, mean less intrusion into people’s lives, especially since people in this group are often on fixed incomes that don’t change as much. It also means that if our staff spends less time doing income reviews, they can spend more time on customer service, such as helping people connect to other resources in the community. The exception is zero-income households, who will have semi-annual check-ins until income is established. Once that occurs, they will be put on the triennial cycle.

What if the new rent method means a current household has to pay more rent?

Compared to the traditional rent calculation, most people will see their rent stay the same or go down a little bit. Some current households will see a rent increase. We have a hardship policy (page 10) for times when people’s financial situations change and they may have difficulty paying their rent. We work to make sure it is easy and understandable for people to do this.

When did rent reform happen?

We began using the new rent method in spring of 2012. For people who come in to the public housing or Section 8 program after the change has taken effect, they will be on the new rent method immediately.

How can people figure out what their new rent will be?

It’s not possible to know right now what the exact rent for each person will be, since everyone’s situation is unique. Starting on page 13, we have example scenarios that give a better picture of how the new rent calculation works.
Work-Focused Households

What is the traditional rent method for this group?

Under the traditional rent method, Home Forward provides assistance so that residents and participants pay 30%\(^4\) of their household’s income, after eligible deductions are taken out. A utility allowance is part of the assistance, unless the family lives in one of Home Forward’s buildings where the utilities are already paid for.

What is the new rent method for this group?

The new rent method for this group looks different over time. When work-focused households come on to the public housing or Section 8 program, rent is based on 29.5%\(^5\) of the household’s gross income with no deductions. A utility allowance is still part of the assistance, except in Home Forward’s buildings where the utilities are already paid. Although Home Forward had previously proposed a simplified utility allowance calculation as part of rent reform, for now we will keep the same utility allowance calculation we are currently using. Households who were receiving our assistance when we changed to the new method started at this rent level, regardless of how long they have been in our programs.

After two full years at this rent level, we will increase the expectation of these families to contribute to their housing costs. The rent will be based on 29.5% of gross income or a $100 minimum rent, whichever is greater. A utility allowance will still be part of the assistance Home Forward provides. However, some families currently pay no rent and receive a utility reimbursement, and this will stop when the family gets to this point; everyone will pay at least the minimum rent. There will be a hardship policy (see page 10) to help people who are struggling to find employment or who have lost a job.

After another two full years at this rent level, we will increase the expectation to contribute to housing costs again. The rent will be based on 31% of gross income or a $200 minimum rent, whichever is greater.

We will continue to count the same sources of income that we traditionally use to determine assistance levels. Examples of income counted as part of gross income include wages, social security, pensions, SSI, Temporary Assistance to Needy Families (TANF), child support and unemployment. Examples of income not included are foster care payments, food stamps and Indian Trust payments.

\(^4\) Section 8 / Housing Choice Voucher participants may choose to rent apartments or houses and pay up to 70% of their income, but traditional assistance levels are always based on the 30% threshold.

\(^5\) Initially, the new rent method for work-focused households was based on 27.5% in the first year, 29% in the third year, and 31% beginning in the fifth year. In 2013, the federal government imposed across-the-board reductions in federal funding, and Home Forward increased the percentages of gross income used to determine rent payment, in order to avoid terminating families from the program.
How is this new rent method better?

We have lowered the percentage that we use to calculate rent in the first two years from 30% to 29.5% to help make up for eliminating deductions, such as childcare expense deductions. When deductions are included, it creates more paperwork for families and for us, and it makes mistakes more likely to happen when we’re figuring out the assistance amount. Eliminating deductions gets rid of the need for families to document their childcare expenses and show them to Home Forward, for example.

The new rent method places these households on a biennial review cycle, which means that we will only review their income and adjust their rent every two years. This means that income gains from increased employment or promotions are kept by the family and will not immediately trigger a rent increase. The exception is zero-income households, who will have semi-annual check-ins until income is established. Once that occurs, they will be put on the biennial cycle. If a household experiences a major loss of income, however, they can contact us and request a hardship consideration to lower their rent payment.

Beyond rent reform, Home Forward is developing ways to strengthen and add programs to help people increase their education and employment skills, so every household that wants to participate in these supports has access to them. We are excited by the possibility of helping people achieve their work goals and increase their independence.

What if the new rent method means a current household has to pay more rent?

Compared to the traditional rent calculation, the majority of work-focused households will see their rent stay the same or go down a little bit in the first two years. Some current households will see a rent increase. After the first two years, we will have a hardship policy (page 10), but because families will have a long time to plan for their rent share to go up, we will give fewer hardship accommodations. We will, however, work with families in their first two years to get ready, including help with connections to jobs, training and education.

When did rent reform happen?

We began using the new rent method in spring of 2012. For people who come in to the public housing or Section 8 program after the change has taken effect, they will be on the new rent method immediately.

How can people figure out what their new rent will be?

It’s not possible to know right now what the exact rent for each person will be, since everyone’s situation is unique. Starting on page 13, we also have example scenarios that give a better picture of how the changes will work.

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Residents living in tax credit properties will be required to meet annually to complete a self-certification of income. These properties are Martha Washington, The Jeffrey, Humboldt Gardens, New Columbia, and the Bud Clark Commons. Section 8 participants may have income verification requirements at other properties where Home Forward is not the landlord, but this is not related to Home Forward’s rent reform policies.
In summary, the rent method looks like this:

**Seniors and People with Disabilities**

Rent is based on **29.5%** of gross income; there is no minimum rent.

- All deductions are eliminated
- The utility allowance reimbursements are allowed for this group.
- Households are on a triennial review cycle.

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**Work-Focused Households**

**Years 1 and 2** in the program:
Rent is based on **29.5%** of gross income; there is no minimum rent

**Years 3 and 4** in the program:
Rent is the greater of **29.5%** of gross income or **$100** minimum rent

**Years 5 and beyond:**
Rent is the greater of **31%** of gross income or **$200** minimum rent, recertified every two years

- All deductions are eliminated
- The utility allowance reimbursements are allowed upon entry to the program and discontinued at the beginning of the third year.
- There are no income reviews between entry & third year, or between biennial reviews thereafter. All income increases are kept by the household; hardship accommodations can be requested if income is lost. Zero-income households will have semi-annual check-ins until income is established and then move to biennial reviews.
Other Rent Reform Policies

Eliminating requirements for excluded income
What is excluded income?
Some sources of income are not counted in the calculation of housing assistance, but we still have to ask about them for our reports to HUD. Examples include foster care payments, Earned Income Tax Credit refunds and food stamps.

What is the traditional policy?
Under the traditional policy, Home Forward asks families to self-report the various kinds of excluded income and enters the information in our reports to HUD. Home Forward does not take the step of verifying this income, since it is not used to calculate housing assistance.

What is the rent reform policy?
Under rent reform, Home Forward does not ask families to report any income that is considered excluded and we do not report the information to HUD. However, we continue to allow Housing Choice Voucher holders (Section 8) to elect to provide this information if they want the opportunity to spend up to 70% of their total income to rent an apartment or house.

Why did this policy change?
The traditional process is both unnecessary and intrusive – families are asked to provide information that has no bearing on the calculation of their assistance from Home Forward.

Simplifying the mixed family rent calculation
What is a mixed family?
A mixed family is made up of citizen(s) or eligible noncitizen(s) and those without eligible citizenship status.

What is the traditional policy?
1) The rent assistance is determined as usual
2) The total eligible family members are divided by the total number in the family (for example, if there are two eligible members out of five total members, it’s 2/5 or 40%)
3) The “prorated” assistance is determined by multiplying the total rent subsidy by the percent eligible. The family above would receive 60% less assistance than a family with all eligible members.

What is the rent reform policy?
The subsidy for a family with any ineligible members is reduced by a fixed amount of $100.

Why is this better?
It is a simplification that reduces paperwork and the possibilities of calculation errors. We have heard from many people that families of immigrant communities may not apply for our housing assistance because the traditional mixed family rents lower the assistance so much.
Defining “senior” as 55 years and older

What is the traditional policy?
HUD defines “elderly” as a person who is at least 62 years of age.

What is the rent reform policy?
For the purposes of categorizing households to determine their rent calculation, Home Forward defines “senior” as a person who is at least 55 years of age.

Why did this policy change?
One stated purpose of rent reform is to increase the expectations of work-focused households to contribute to the cost of their housing over time. While many individuals who are 55 and above are capable of earning income, Home Forward does not want to increase financial expectations on a population of individuals who are nearing retirement and who are already economically vulnerable.

Why 55?
There are a number of sources that provide rationale for defining senior, for the purposes of rent reform, at the age of 55. For example:

- A report by the Employee Benefits Research Institute, updated September 2009 using the March Current Population Surveys of the U.S. Census Bureau, shows that income tends to decrease with age beginning at 55.
- If a building or a community houses at least one person who is 55 or older in a least 80 percent of the occupied units, and adheres to a policy that demonstrates an intent to house persons who are 55 or older, HUD defines it as “housing for older persons” and that building or community is exempt from the prohibition against familial status discrimination.
- Home Forward’s Moving to Work agreement with HUD states “The Agency is authorized to amend the definition of elderly to include families with a head of household or family member who is at least 55 years old”.
- Northwest Pilot Project begins offering services to seniors at age 55.
- A person can begin withdrawing from their 401(K) with no IRS penalty beginning at 55.

Updating public housing ceiling rents

What is the traditional policy?
In public housing, ceiling rents (the maximum amount of rent a resident can pay, for up to 60 months) are static amounts, based on bedroom size. Current ceiling rents are exceptionally low, and are not representative of market rents.

What is the rent reform policy?
Ceiling rents will align with Section 8 payment standards, which are related to the Fair Market Rent for a unit based on its bedroom size and location in the county.

Why is this better?
Section 8 payment standards are evaluated and updated annually. Aligning ceiling rents with the Section 8 payment standards will help keep these rents at an affordable market rate.
Hardship Policy

Statement of Philosophy: Home Forward has developed its rent reform proposals with the intention of simplifying the calculation process for residents, participants and staff, as well as to encourage those who can work to contribute to their housing costs over time. The hardship policies are designed to help those currently receiving our assistance to remain stable when the change in rent calculation is made, in the limited cases where the change would cause a large rent increase. Over time, the policies are intended to help households who may see a major increase in their shelter costs due to rent reform.

For those in the work-focused group, Home Forward recognizes that access to affordable childcare can be a key ingredient to obtaining and keeping full-time employment. Home Forward intends to work with families to address barriers to employment, including child care, while keeping the calculation of public housing and Section 8 subsidies focused on housing affordability. Home Forward will seek to increase other resources available to support work efforts of families and will assess the impact of rent reform on employment rates in the years following implementation.

For seniors and people with disabilities with fixed incomes, high medical expenses that are not covered by insurance can cause economic distress and difficult choices about important medical care and medications. Home Forward will work with households through the hardship policy on an ongoing basis to help ensure their housing stability.

Home Forward will make the process of applying for a hardship accommodation known, easy to understand and to complete.

Hardship policy: All households participating in the Section 8 Housing Choice Voucher or Public Housing programs whose rent is calculated using rent reform qualify to be considered for a hardship. A hardship would be a temporary change in the rent calculation to reduce the rent burden on the family for a limited period of time.

To be eligible for a hardship a household must be paying more than 50% of their gross monthly income towards their shelter costs (rent and utilities). Households paying less than 50% of gross monthly income towards their shelter costs will not generally qualify for a hardship. In determining shelter costs, the following amounts will not qualify for a hardship consideration:

- Additional amount a Section 8 Housing Choice Voucher household has chosen to pay above the payment standard for an assisted unit;
- Amount of subsidy reduction for mixed families (a mixed family is made up of citizen(s) or eligible noncitizen(s) and those without eligible citizenship status)

Only hardships expected to last longer than 90 days will be eligible.

All hardship exemption requests must be made in writing and submitted to the appropriate Home Forward office. Upon receipt, staff will forward the request to Home Forward’s hardship committee for review. The committee will review hardship requests on a monthly basis.
request is approved, Home Forward will notify the household and landlord (if applicable) in writing of the new rent and subsidy amount, and the start and end date of the temporary rent reduction. If the request is denied, Home Forward will notify the household of a decision in writing within 15 business days of the determination.

More information about the process of applying for a hardship can be found in Home Forward’s ACOP and Admin Plan documents.

**Interim Reviews:** Households that receive Home Forward’s assistance through public housing and Section 8 have the ability to request an interim review to reduce their rent if they experience a loss of income. Home Forward has continued this policy under rent reform.
HUD’s Definition of Disability

As defined in section 5.403, a person with disabilities, means a person who:

i) has a disability as defined in Section 223 of the Social Security Act (42 U.S.C.423), or

ii) is determined by HUD regulations to have a physical, mental or emotional impairment that:

a) is expected to be of long, continued, and indefinite duration;

b) substantially impedes his or her ability to live independently; and

c) is of such a nature that such ability could be improved by more suitable housing conditions, or

iii) has a developmental disability as defined in Section 102 of the Developmental Disabilities Assistance and Bill of Rights Act(42 U.S.C. 6001(5)).

The definition of a person with disabilities does not exclude persons who have the disease acquired immunodeficiency syndrome (AIDS) or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome (HIV). However, for the purpose of qualifying for low income housing, the definition does not include a person whose disability is based solely on any drug or alcohol dependence.
Sample Rent Calculations

MABEL
An imagined single household with disabilities in public housing

Mabel gets $721 a month in Supplemental Security Income. Her yearly income is $8,652. She lives in a one-bedroom public housing high-rise and Home Forward pays for the utilities in the building, so Mabel doesn’t get a utility allowance.

TRADITIONAL RENT METHOD
Mabel gets a $400 deduction for having a disability, so her annual adjusted income is $8,252.

\[
\frac{8,252}{12 \text{ months}} = 688
\]

\[
688 \times 30\% = \text{rent of } 206 \text{ per month}
\]

NEW RENT METHOD
There are no deductions in the new rent method, so the annual gross income for Mabel is $8,652.

\[
\frac{8,652}{12 \text{ months}} = 721
\]

\[
721 \times 28.5\% = \text{rent of } 205 \text{ per month}. \text{ Mabel would have a } 1 \text{ per month rent decrease.}
\]

LOUIS
An imagined single household with disabilities in public housing

Louis is a 45 year-old man with disabilities who has $13,300 yearly income from Social Security Disability Insurance (SSDI). He lives in a one-bedroom public housing high-rise and Home Forward pays for the utilities in the building, so Louis doesn’t get a utility allowance.

TRADITIONAL RENT METHOD
Louis gets a $400 annual deduction for having a disability, and he gets a deduction of $1,001 for eligible, out-of-pocket medical expenses\(^7\), so his annual adjusted income is $11,899.

\[
\frac{11,899}{12 \text{ months}} = 992.
\]

\[
992 \times 30\% = \text{rent of } 297 \text{ per month.}
\]

NEW RENT METHOD
There are no deductions in the new rent method, so the annual gross income for Louis is $13,300.

\[
\frac{13,300}{12 \text{ months}} = 1,108
\]

\[
1,108 \times 28.5\% = \text{rent of } 316 \text{ per month}. \text{ Louis would have an } 19 \text{ per month rent increase.}
\]

\(^7\) Seniors and people with disabilities traditionally have a “medical threshold” of 3% of annual gross income, which means they can deduct eligible, out-of-pocket expenses above that amount. In Louis’s case, 3% of his annual gross income is $399. Louis has $1,400 of eligible expenses, so his deduction is $1,001.
LOLA

An imagined work-focused household in public housing

Lola is a single mom with two sons, ages 8 and 11. She gets food stamps, which don’t count towards her rent calculation, and annual child support of $7,200. Lola doesn’t work right now, so the child support is her only source of income. She lives in a public housing site where the utility allowance for her two-bedroom apartment is $115 per month.

TRADITIONAL RENT METHOD

Lola gets a $480 deduction for each child, so her annual adjusted income is $6,240.

$6,240 / 12 months = $520.

$520 X 30% = $156.

$156 - $115 utility allowance = rent of $41 per month.

NEW RENT METHOD

YEARS 1 & 2
There are no deductions in the new rent method, so Lola’s gross annual income is $7,200.

$7,200 / 12 months = $600.

$600 X 29.5% = $177.

$177 - $115 utility allowance = rent of $62 per month. Lola would have a $21 per month increase.

YEARS 3 & 4
If Lola was still unemployed, still receiving the same amount of child support and the utility allowance was unchanged (we cannot predict what these will be), the calculation would look like this:

$600 monthly income X 29.5% = $177.

$177 - $115 utility allowance = $62. This is lower than the minimum rent, so Lola would pay $100 minimum rent per month.
If Lola gets a part-time job and adds earned income of $9,000 per year, her calculation would look like this:

$16,200 / 12 months = $1,350 monthly income.

$1,350 X 29.5% = $398.

$398 - $115 utility allowance = $283 rent per month. In this case, the rent would be higher than the minimum, but Lola would have the benefit of increasing her household income.

YEARS 5 AND BEYOND
If Lola was still unemployed in year 5, receiving food stamps and child support, she would have a minimum rent of $200 per month. As in the previous example, if Lola becomes employed, she may have a rent above the minimum, but would also increase her household income.
DIANA

An imagined senior household with a Housing Choice Voucher

Diana is a 73 year-old who has $11,200 annual gross income from Social Security. She rents a one-bedroom apartment where the utility allowance is currently $62.

The payment standard for a 1-bedroom apartment is $720. Diana’s contract rent (the amount the apartment actually rents for) is $640.

TRADITIONAL METHOD

Diana gets a $400 deduction from her annual gross income because she is a senior citizen, so her adjusted income is $10,800.

$10,800 / 12 months = $900.

$900 X 30% = $270. This number is called the total tenant payment, or TTP.

The contract rent $640 plus utility allowance $62 = $702. This is called gross rent. To figure out how much assistance Diana gets, we subtract the TTP from the gross rent or the payment standard, whichever is smaller.

$702 gross rent - $270 TTP = $432 of monthly rent assistance.

$640 contract rent - $432 rent assistance = $208 monthly rent paid by Diana.

NEW METHOD

Diana gets no deduction for being a senior.

$11,200 / 12 months = $933.

$933 X 28.5% = $266 TTP.

Contract rent $640 + utility allowance $62 = $702 gross rent.

$702 gross rent - $266 TTP = $436 of monthly rent assistance.

$640 contract rent - $436 rent assistance = $204 monthly rent paid by Diana. Diana would pay $4 less per month with the new method.
ANNA

*An imagined work-focused household with a Housing Choice Voucher*

Anna is a single mom and lives with her three children, who are between the ages of 4 and 10. Anna works part-time and makes $1,500 per month. She also receives child support of $100 per month. Anna’s gross annual income is $19,200 ($18,000 wages and $1,200 child support). Anna has a child care co-pay of $150 per month.

Anna has a Housing Choice Voucher for 3 bedrooms and she has chosen to rent a 3-bedroom house in Portland. The payment standard for this bedroom size is $1,251. The house Anna has chosen rents for $1,251 per month (“contract rent”). Since the payment standard is intended to cover rent and utilities and Anna chose a house with a contract rent that equals the payment standard, a utility allowance is not factored in.

**TRADITIONAL METHOD**

Anna gets the following deductions from her gross annual income: $1,440 for her children ($480 per year per child) and $1,800 for out-of-pocket child care expenses. Anna’s adjusted annual income is $15,960, or $1,330 per month.

$1,330 X 30% = $399. This number is called the total tenant payment, or TTP.

$1,251 payment standard - $399 TTP = $852 of monthly rent assistance

$1,251 contract rent - $852 rent assistance = $399 monthly rent paid by Anna.

**NEW METHOD**

**YEARS 1 & 2**

Anna gets no deductions from her annual income. Her gross monthly income is $1,600.

$1,600 x 29.5% = $472 TTP

$1,251 payment standard - $472 TTP = $779 of monthly rent assistance

$1,251 contract rent - $779 rent assistance = $472 monthly rent paid by Anna.

**YEARS 3 & 4**

If Anna’s income was to stay exactly the same, her TTP is still calculated at 29.5% of gross monthly income, as it was in years 1 and 2: $1,600 x 29.5% = $472 TTP

$1,251 payment standard - $472 TTP = $779 of monthly rent assistance

$1,251 contract rent - $779 rent assistance = $472 monthly rent paid by Anna

There is no impact from the application of the $100 minimum rent.
YEARS 5 AND BEYOND

Anna’s TTP is calculated at 31% of gross monthly income: $1,600 x 31% = $496 TTP

$1,251 payment standard - $496 TTP = $755 of monthly rent assistance

$1,251 contract rent - $755 rent assistance = $496 monthly rent paid by Anna

There is no impact from the application of the $200 minimum rent.