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# Chapter 1 – Overview of the Housing Choice Voucher Program

## KEY CONCEPTS

**THE HOUSING CHOICE VOUCHER (HCV) PROGRAM** is still commonly referred to as the Section 8 program.

**THE HCV PROGRAM PROVIDES AFFORDABLE HOUSING**, because households pay a limited percentage toward housing cost — usually 30 percent of their monthly income.

**THERE ARE THREE COMPONENTS OF THE HCV PROGRAM:** tenant-based rental assistance, project-based rental assistance, and homeownership assistance.

**HCV TENANT-BASED RENTAL ASSISTANCE** is the most common type of voucher and the focus of this guidebook.

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# Chapter 1 *Overview of the Housing Choice Voucher Program*

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## *The Importance of the Housing Choice Voucher Program*

The federal Housing Choice Voucher (HCV) program began in 1975 as a way to assist low-income families, elderly people, and people with disabilities to rent decent, safe, and affordable housing in the community. Through this program, individuals and families receive a “voucher” — also referred to as a “subsidy” — that can be used to rent any housing that meets HCV program requirements. Because these vouchers are granted on a long-term basis, the HCV program is considered to provide permanent housing.

The HCV program is one of the most successful federal housing programs. It is also one of the best means of helping people experiencing chronic homelessness to afford and maintain rental housing of their choice. Currently, across the nation, over 2.1 million households receive housing assistance through the HCV program — including many formerly homeless households.

There are many reasons why the HCV program is an invaluable resource for meeting the housing needs of very low-income and extremely low-income people, particularly those who are experiencing chronic homelessness. First, although there have been some recent reductions in funding, HCV remains the largest federal housing program targeted to extremely low-income households. In fiscal year 2015, Congress appropriated over \$28 billion in continued funding for the HCV program — equal to over half the entire Department of Housing and Urban Development (HUD) budget. Currently, HCV assistance is offered in every state in the country and in almost every local community.

Other aspects of the HCV program that make it an invaluable resource are:

- **Affordability** — Lack of adequate income makes finding and keeping housing very difficult. People who are chronically homeless frequently have no income or may be on fixed incomes for indefinite periods of time, and need deeply affordable housing. The HCV program ensures that housing is affordable by guaranteeing that participants’ housing costs are no more than 30 to 40 percent of their monthly income.
- **Quality** — The HCV program supports good-quality housing. All housing subsidized through the HCV program must meet federal housing quality standards to ensure that it is decent and safe.

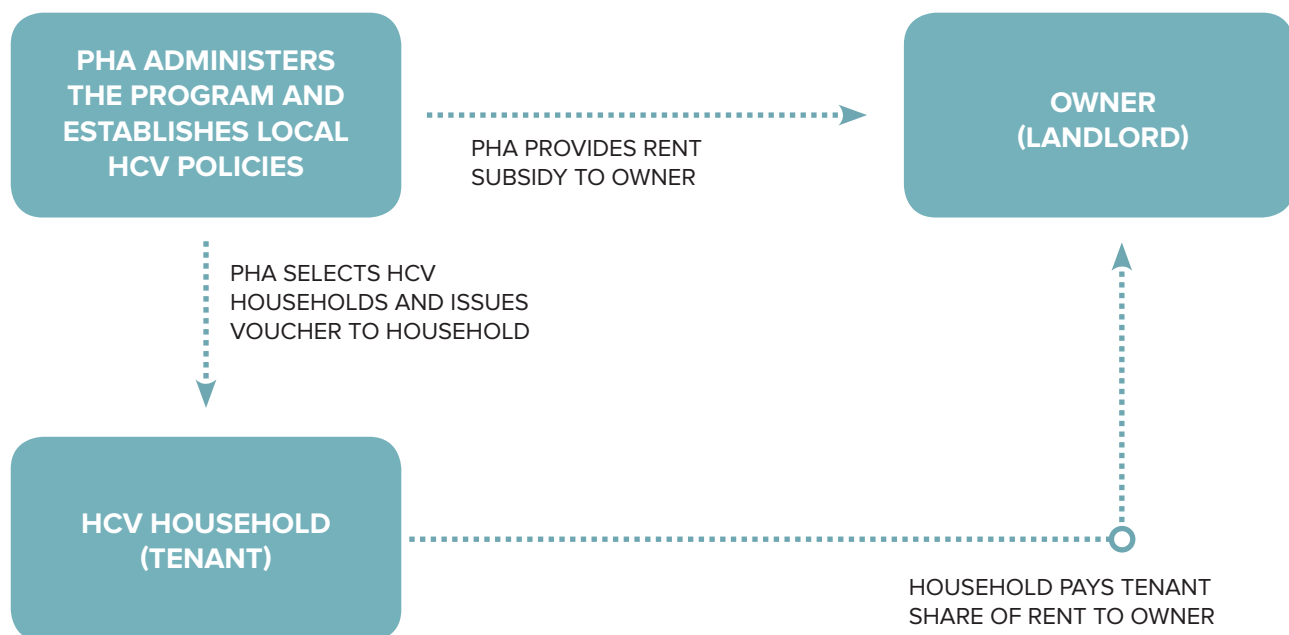
- **Choice** — The HCV program promotes housing choice and community integration. With HCV tenant-based rental assistance, people make their own choices about where they want to live and can keep their assistance if they move to another unit.

### *How the Housing Choice Voucher Program Works*

The federal government recognizes that very low-income people often do not have enough money to afford decent, safe, and good-quality housing. To address this problem, the HCV program makes up the difference between what a tenant can afford (usually capped at 30 percent of their income) and the actual rental cost of their unit, paying the difference directly to the owner. An owner who rents to a tenant with a voucher receives one part of each month’s rent directly from the tenant, and the remainder from a HUD-contracted public housing agency (PHA) in their area. The amount of the subsidy available to voucher holders is based on the cost of moderately priced rental housing in the community, as determined by HUD.

The relationship among these three parties is illustrated in Figure 1.01.

*Figure 1.01 Public Housing Agencies, HCV Households, and Owners in the Housing Choice Voucher Program*



These relationships form the general parameters for the HCV program. As discussed throughout this guidebook, PHAs are given latitude in customizing the program design to meet local needs. Some PHAs may have modified certain programmatic elements in ways that make the program seem different but that are allowable within the HCV federal guidelines.

## ***Income Targeting***

Each year, usually in April, HUD publishes the [HCV income limits](#) for every housing market area across the nation. These income limits vary by household size and are used to determine eligibility for the HCV program. The standards are based on the “area median income” (AMI), which is the dollar amount that divides the local population into two equal parts: those with incomes higher than that amount and those with incomes lower than that amount. Households with incomes lower than the AMI may fall into one of these categories:

- 80% area median income = low-income
- 50% area median income = very low-income
- 30% area median income = extremely low-income

To be eligible for the HCV program a household must be at most “very low-income.” Federal law further requires that at least 75 percent of vouchers go to “extremely low-income” households. This regulation is referred to as “income targeting.”

Keep in mind that the majority of people experiencing chronic homelessness have little or no income. Studies have shown that even with disability benefits such as Supplemental Security Income (SSI), chronically homeless people and other people with disabilities often have incomes well below 30 percent of the AMI.<sup>1</sup>

## ***Housing Choice Voucher Program Components***

There are currently three types of housing assistance provided by the HCV program:

- Tenant-based rental assistance
- Project-based rental assistance
- Homeownership assistance

***Section 8 Made Simple – Special Edition*** focuses primarily on the tenant-based rental assistance component of the HCV program, since it is the most commonly used type of assistance for homeless people. Recently, project-based assistance has also become a valuable tool in ending homelessness. Project-based assistance is described in detail in [Chapter 10](#).

## ***Tenant-Based Rental Assistance (24 CFR 982)***

Tenant-based rental assistance is the most prevalent and well-known form of HCV assistance. When people mention the HCV program, or a voucher, they are usually referring to the tenant-based rental assistance component of the program.

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<sup>1</sup> See [Priced Out in 2014](#) by TAC, Inc. for more information about the housing crisis facing people receiving SSI.

Tenant-based rental assistance allows people to choose their own housing unit from a community's private rental housing market (e.g., units advertised on-line and in newspaper listings). The HCV program's tenant-based rental assistance helps people experiencing chronic homelessness to select rental housing that is integrated into the community and meets their own preferences and needs.

## GOOD TO KNOW

### ***THE CONTINUUM OF CARE PROGRAM RENTAL ASSISTANCE MODEL***

In addition to the Housing Choice Voucher (HCV) program, public housing agencies (PHAs) and homeless providers in a community may be administering rental assistance through a Continuum of Care (CoC) Program. Through CoCs, various forms of rental assistance — including tenant-based, project-based, and sponsor-based — can be provided on behalf of a household. Although similar in many ways to HCV, the CoC Program is governed by a separate set of regulations especially related to permanent supportive housing with rental assistance funds. Appendix A on [page 123](#) includes a comparison chart highlighting the key differences between the HCV program and permanent supportive housing funded through the CoC Program.

Specifically, through the tenant-based rental assistance component, an eligible household receives an HCV rental voucher to use in a housing unit of its choice in the community. If the household moves to another unit, the voucher can be used in the new unit, as long as the unit meets HCV standards.

### ***Project-Based Rental Assistance*** ([24 CFR 983](#))

Project-based vouchers (PBVs) are another form of rental assistance offered through the HCV program. With PBV, a subsidy is committed to a specific unit in a building through a contract between the owner and the PHA. Such long-term subsidy commitments with housing owners can increase the supply of affordable housing units in a community.

Special regulations within the PBV guidelines make project-based rental assistance an especially useful tool for expanding housing options for chronically homeless households. Chapter 10 includes a discussion of the HCV project-based rental assistance program.

### ***Homeownership Assistance*** ([24 CFR 982.625](#))

HUD regulations allow HCV assistance to be used to help purchase a home. Through this component, HCV households can use their housing assistance payments toward homeownership expenses.

PHAs are not required to administer an HCV homeownership program. In fact, PHAs must demonstrate to HUD that they have the capacity to administer the HCV homeownership program, which differs in many ways from the conventional rental assistance component. Public housing agencies do not receive any additional funding if they decide to offer the homeownership option. As a result, some PHAs may be reluctant to establish an HCV homeownership program. Nevertheless, over 9,400 households receive HCV homeownership assistance from PHAs across the nation.<sup>2</sup>

Public housing agencies are given significant flexibility by HUD to design their HCV homeownership programs by, for example, limiting the number of households assisted or targeting the assistance to a specific segment of households — such as HCV households currently participating in a PHA’s Family Self Sufficiency program.<sup>3</sup> For more information on HCV homeownership programs go to [HUD’s website](#).

## GOOD TO KNOW

### **SPONSOR-BASED RENTAL ASSISTANCE**

Sponsor-based rental assistance can be used by an agency to lease a private unit in the community and then sublease the unit to a program participant. A handful of public housing agencies (PHAs) designated by HUD as [Moving To Work](#) (MTW) agencies are given the flexibility to use Housing Choice Voucher (HCV) funds to implement creative solutions to local problems; some have chosen to use HCV funds for sponsor-based rental assistance. Although sponsor-based rental assistance is an option for HUD Continuum of Care Program rental assistance grants, it is not currently an eligible use of funding under the HCV program except for PHAs with MTW status. Chapter 2 includes more information about Moving To Work PHAs.

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<sup>2</sup> HUD Resident Characteristics Report as of 11/30/15. [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/systems/pic/50058/rcr](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/systems/pic/50058/rcr)

<sup>3</sup> The Family Self Sufficiency program links HCV households with education and other support services to help them move from assisted housing. The PHA establishes an escrow account for participating households, and does not raise a household’s share of the rental cost when there are increases in its income. Instead, the difference is deposited into the escrow account.