

## **Possible Strategies to Respond to the Effects of Funding Shortfalls on the Housing Choice Program at the Local Level in 2025**

According to HUD, many PHAs are in a shortfall status. Strategies for PHAs to deal with funding shortfalls are listed below in four categories: Legal, Possibly Legal, and Illegal. For each entry, we further list the projected savings potential and the “pros” and “cons” to adopting the policy, from a tenant and advocate perspective. Pros include whether policies will advance program goals of paying reasonable rents and enhancing housing choice while providing decent quality, affordable housing to the maximum number of authorized families. “Cons” for each policy undermine one or more of these goals. Finally, the MTW category lists special policy considerations for MTW agencies.

<b>LEGAL POLICIES</b>					
Policy	Legality	Savings Potential	Pros	Cons	Notes
Aggressive rent reasonableness – revisit previous individual unit determinations	Yes ( <i>see</i> 24 CFR 982.507, 982.509; PIH 2005-1, ¶16; PIH 2011-28, ¶14(b) ( <i>see also</i> PIH 2025-13 fn. 3 referencing PIH 2011-28)). Helps PHA comply with program requirements. <sup>1</sup>	Depends on degree of improvement possible. May be significant. Reduces rents during lease term. Almost immediate savings. <sup>2</sup>	No shift in rent burden to tenants, and could actually decrease tenant’s rent burden; no mid-term termination of contracts.  Could be done with tech so low admin. burden.	If overdone could cause owners to opt out; staff intensive (though could prioritize units with highest rents and savings could potentially offset admin. costs in both short- and long-term).	For PHAs in areas subject to state or local rent caps (e.g. CA state TPA), PHAs could consider further cost savings by automating portion of rent reasonableness process.
More accurate income/tenant payment determinations	Yes.	Depending on % reductions could be fairly substantial.	Helps PHA on SEMAP scores and increases program credibility.	Time-consuming; could result in adverse actions for some tenants.  Need to ensure PHAs are not also rescreening for immigrant eligibility or other characteristics that are irrelevant to cost-savings.	Note new HOTMA rules that allow for tenant income self-certification could also ease administrative burdens.

<sup>1</sup> “If a PHA approves rents that are too high, government funds are wasted and limited housing subsidies are squandered.” (HUD HCV Program Guidebook, Rent Reasonableness § 1.)

<sup>2</sup> After a PHA provides an owner written notice of an unreasonable rent, rents may be reduced as early as the first of the following month. (*See, e.g.*, PIH 2011-28 at 3.)

Ask HUD to order jurisdictions that bill (and are not over-leased) to absorb ports	See 982.355(d)(2), (f)(4), but HUD has so far refused.	Depends on circumstances; could be substantial.	No adverse consequences for participants.	Reduces leasing rate for initial PHA.	
Increased HQS enforcement	Yes.	Depends on circumstances: savings results from suspending HAP for violations.	Improved housing conditions for families.	Could increase evictions or force tenants to move; may force landlords out of program; staff intensive.	Some inspection contracts cut by this admin. so may be more costly for PHAs at this moment.
Administrative efficiencies	Yes: excess admin. fees may be used to meet subsidy gap.	Depends on circumstances.	Helps PHA in long term.	PHA may want to save any excess fees against future rainy day.	Great option for PHAs with little to no tenant impact. PHA also has many streamlining options available.
No delay in rent recertification when tenant income increases	Yes- and required in some cases. <sup>3</sup>	Small savings potential and only for agencies that now delay.	Tenant's rent portion would ultimately increase, so not a huge change for family.		
No "moving" vouchers for families in project-based voucher units, including RAD tenants	Generally legal, but only if other, regular vouchers are similarly not being issued. (24 CFR 983.261(b); PIH 2025-13 at 43.)	PHAs must still honor project-based contracts.	Families remain housed.	Unfair to families who have been waiting to move from project-based unit. Also could have fair housing impacts if families trying to leave higher poverty areas.	Negative impact on RAD tenants who were promised choice mobility rights.
Increase minimum rent	Yes- can increase up to \$50/month.	Depends on how many families paying less and likely hardship exemptions.	Avoids terminations.	Hurts poorest families; tenant exception requests could take up staff time (administrative burden).	But note very few tenants receive minimum rent. <sup>4</sup>

<sup>3</sup> Per 24 CFR 982.516(c)(3), upon full implementation by PHAs, interim reexamination must be conducted (unless in last three months of certification period) if annual adjusted income increases by 10% or more (excluding increase in earned income, unless family had interim reduction during recert period).

<sup>4</sup> Letter from HUD to Committee on House Financial Services, U.S. House of Representatives, February 15, 2019.

Decrease payment standards	Yes (for new participants and movers, and stayers (with proper notice) after 2 <sup>nd</sup> redetermination). (24 CFR 982.505 (c)(3).)	Small initially; Increases with time, depending on % of rents above new payment standard and amount of moves/new participants.	Good only if really were too high (so may be better if done only for some neighborhoods or BR sizes).	Shifts rent burdens to tenants; undermines choice and deconcentration; potential discriminatory effects (including segregative effect) in violation of fair housing principles; could hurt utilization and success rate (esp. for lowest income).	Note HUD has recommended PHAs ensure adequate payment standards to increase success rate, with high success rates reducing administrative burdens (i.e., costs).
Decrease payment standards below 90% FMR	Yes, but only with HUD's approval. <sup>5</sup>	See row immediately above (same).	See row immediately above (same).	See row immediately above (same).	
Adjust preferences to admit no more than 75% and highest income ELI households	Yes (assuming no problem posed by Con Plan).	Modest and only affects new admissions.	No terminations, spreading funding thin but still housing people.	Hurt homeless and other extremely poor applicants.	
Reduce # served by not issuing unused authorized vouchers (on turnover or otherwise)	Yes.	Substantial.	Easier to reverse than many other policy changes; saves staff time.	Hurts applicants at top of list and social service programs that rely on availability of vouchers. Could lock in lower maximum number of vouchers. Hard to make visible. If lose high-performer status, more admin. burdens.	Most PHAs have incredibly long waitlists and this will exacerbate the problem.

<sup>5</sup> If PHA claims necessary to prevent terminating participants, waiver request must include calculation used to arrive at the projected shortfall, all cost-savings measures, and analysis of impact on a family's ability to lease throughout the PHA's jurisdiction. (24 CFR § 982.503(e); 42 U.S.C. § 1437f(o)(1); PIH 2011-28 at 6; PIH 2024-34 at 18; HUD HCV Program Guidebook, Payment Standards, § 3.4 (June 2025).)

Reduce # served by freezing vouchers of searchers	Yes.	Substantial.	Easier to reverse than many other policy changes.	Also hurts affected families. Bad publicity for agency (though helps make harm visible).	Searchers don't have due process rights because not yet "participants" in the program. Possibly different result if RFT or lease is signed.
Terminate a small % of current participants	Yes. (If PHA has insufficient reserves to cover funding shortfall, but must first take mandatory steps, <sup>6</sup> and proceed in accordance with insufficient funding policies in admin. plan.)	Substantial. Most savings if terminate poorest families with least ability to afford rent; may be required for those few PHAs that would otherwise be over-leased for the calendar year.	Very visible. Fewer owners affected.	Risk of homelessness etc. to families affected. Could mitigate harm somewhat if offer public housing units. Undermines confidence in reliability of funding.	
Increase success rate	Yes.	Substantial savings in administrative costs. A high success rate reduces a PHA's admin. burden.	Long-lasting cost-savings. Benefits tenants. Saves staff time. <sup>7</sup>	None.	HUD has recommended PHAs increase their success rates, including by extending search times and ensuring adequate payment standards.
Extending search times	Yes.	Substantial savings to administrative costs, because increases success rate, which decrease administrative burdens.	Families have higher chance of becoming housed. Saves staff time (e.g., processing extension requests).	None.	

<sup>6</sup> For example, PHA must assess all of its available budget authority and alternative funding sources; consider all cost-savings measures; and provide prior written notice to HUD identifying all cost savings measures taken, and the # and date(s) of proposed termination. (24 CFR 982.454; PIH 2021-28 at 6-7.)

<sup>7</sup> For example, fewer briefing schedules, HQS inspections, rent reasonableness determinations. (See, e.g., PIH 2012-15 at 6.)

In localities with source of income discrimination protections, reduce or eliminate cash-based landlord incentives	Yes.	Substantial savings for eliminating or limiting to only high-opportunity/low poverty areas. <sup>8</sup>	No harm to tenants.	None.	
POSSIBLY LEGAL POLICIES					
Policy	Legality	Savings	Pros	Cons	Notes
Across the board rent reasonableness reductions	Possibly legal, depending on data and opportunity for owners to rebut. PHAs may redetermine reasonable rent at any time and HUD has recommended review of previous determinations as a cost-savings measure. (24 CFR 982.507 (a)(3); PIH 2011-28 at 2-3.)	Depending on % reduction could be fairly substantial.	Little staff time required.	More risk of owner opt-out.	
Strict enforcement of (or changes to) occupancy standards on unit size	Yes, if consistent with HUD rules. (See 24 CFR 982.402 (b)-(d); HCV Guidebook, Housing Search and Leasing, §4 (June 2025). But see PIH 2005-9, ¶ 4(b), purporting to	Depends on how much of a change from current agency policy and timing of implementation.	Consistent enforcement of current occupancy standards would promote fairness and uniformity.	Rent increases for newly “overhoused” families. Larger families may have more trouble finding willing landlord due to restricted BR size of voucher. May	

<sup>8</sup> For example, if PHA’s landlord incentive policy provides an \$500 sign-on bonus every time a landlord leases up a HCV family, PHA could instead direct those funds to keep families housed or house families on waitlist. PHA could modify policy to provide incentives in only high-opportunity/low poverty areas, or eliminate the policy and instead coordinate with local legal aid, city attorney, county counsel, or state attorney general to enforce SOID protections.

	allow standard of 2 persons per bedroom, regardless of sex or age as cost cutting measure (without waiver request). <sup>9</sup>			impair family dynamics.	
No rent increases for units of tenants staying in-place, regardless of whether rent increase requested is reasonable	Unclear. Lease Addendum and HAP contract say rent <i>shall not exceed</i> reasonable rent. <sup>10</sup> No known landlord legal challenge.	Moderate possible.	Simple to administer; no direct rent shift to tenants.	In rising market may increase owner opt-outs and generally undermine confidence in program. PHAs may be able to minimize harm through good outreach.	Given need for landlord participation in voucher program, PHAs unlikely to implement this.
No moves except to same or lower rent units	Illegal if no exceptions (e.g., VAWA, reasonable accommodations). Beyond that, unclear. If lack funds, HUD regs allow denial of all moves, not just to more expensive units. (See 24 CFR 982.354 (e)(1). <sup>11</sup> May	Depends on program size and types of moves.	Probably affects few tenants and no owners.	Contrary to purpose of program; could interfere substantially with families' lives.	Fair housing concerns. PHA may be opening itself up to liability for discriminatory effects, including segregative effect.

<sup>9</sup> See also *Huynh v. Harasz*, 2016 U.S. Dist. LEXIS 63678 / 2016 WL 2757219, at \*21-22 (N.D. Cal. May 12, 2016) (Illegal under FHA to require non-disabled household members to use the living room as their bedroom when disabled member entitled to an accommodation).

<sup>10</sup> Note that under HUD's recent shortfall guidance, this is allowable only if an owner agrees to defer rent increases. (PIH 2025-13 at 3 ("a PHA may not "freeze" rents due to insufficient funding when an owner requests an increase, if the PHA determines the increased rent to be reasonable, and the owner does not agree to defer a rent increase.")).

<sup>11</sup> But to deny a move, PHA must follow specific steps including notice to HUD and proceed in accordance with PHA's Admin. Plan (which must address resumption-of-assistance). (See, e.g., PIH 2016-09 at 18; HCV Program Guidebook, Moves and Portability, § 3.3; NHLP shortfall memo.) Further, PHAs can only rescind a move voucher if family allowed to stay in its current unit. (PIH 2016-09 at 15; HCV Program Guidebook, Moves and Portability, § 3.3.)

	violate fair housing obligations.				
No portability (or only if not more costly or if receiving PHA absorbs)	While a PHA may cease absorbing vouchers, PHA may not prohibit or treat portability moves differently from other moves. (24 CFR 982.355 (e)(6), 982. 353.) <sup>12</sup>	Depends on program size and types of moves.	Probably affects few tenants and no owners.	Contrary to purpose of program; could interfere substantially with families' lives.	
No increase in utility allowance	Depends on data. PIH 2005-9, ¶13(b) notifies PHAs that HUD may waive the requirement of 24 CFR 982.517(c) that utility allowances must be increased any time utility rates increase by 10% or more. May violate statutory rent requirements.	Only saves money to extent gross rents currently below payment standard.		Higher actual tenant payments.	
Reduce # served by more aggressive fault terminations	Depends on grounds and due process.	Substantial.		Also hurts families terminated; because formerly would have	Scarlet "E" could result if tenants are evicted, major long-lasting harms.

<sup>12</sup> PHAs may deny requests to move under portability for insufficient funding if (1) move is to higher cost area; (2) receiving PHA is not absorbing; and (3) PHA unable to avoid terminating current participants. As stated immediately above, PHA must follow specific steps including written notice to HUD. (24 CFR 982.354(e); PIH 2016-09 at 16-18; HCV Program Guidebook, Moves and Portability, § 3.3.) PHA can only rescind a move voucher if family allowed to stay in its current unit. (PIH 2016-09 at 8; HCV Program Guidebook, Moves and Portability, § 3.3.)

				worked out problems may be seen as arbitrary or unfair; staff intensive.	
Terminate some or all HAP contracts with owners and reoffer at lower payment standard	Probably illegal; some argue within PHA discretion if funding inadequate. But to terminate a HAP contract based on insufficient funding, must comply with mandatory steps. (See above.)	Substantial, depending on amount of payment standard reduction.	Shares pain; may maintain number of vouchers in use (depending on owner opt-outs and tenants' ability to find new units).	Shifts rent burdens to tenants; Some owners will terminate and displaced families may not find other units; Undermines owner confidence. Politically invisible.	Given competitive housing markets this is likely to greatly reduce landlord participation.
No new FSS enrollees	Depends on whether PHA meets mandatory level (but waiver likely).	Depends on what PHA would otherwise have allowed	Saves staff time.	Reduces self-sufficiency efforts and tenant savings.	
ILLEGAL POLICIES					
Policy	Legality	Savings	Pros	Cons	
Reducing payments to owners (w/o rent reas.)	No. (But PHA could request owners voluntarily agree to a temporary rent reduction or defer rent increases (PIH 2011-18 at 3).)	Significant (but may impact future funding).	During lease, tenants' share of rent may not be subject to increase.	Likely landlord opt-outs.	Given HUD's push for landlord incentives, unlikely to support this policy.
Temporarily suspending payments to owners (w/o rent reas.)	No. (See, e.g., HAP Contract (Form HUD-52641).)	Significant (but may impact future funding if suspending payments reduces determination of "units leased").	During lease, tenants' share of rent may not be subject to increase.	Likely landlord opt-outs. PHA liability for penalty for late payments if suspend.	Given HUD's push for landlord incentives, unlikely to support this policy.



No FSS escrow deposits	No. This is not an allowable basis to cease contributions. (24 CFR 984.305; <i>see also</i> Form HUD-52650.)	Depends on # of families.	May make up payments later.	Undermines PHA commitments.	
Reduce # of families served by denying all moving vouchers	No. See sections below for (1) no moves except to same or lower rent units and (2) no portability.	Depends upon number of requests and whether some families leave program as result.	Families remain housed.	Unfair impact on families needing to move; contrary to the purposes of the program; potential discriminatory effects.	

### MTW Considerations

MTW agencies have funding fungibility. Because MTW agencies can use funds in a more flexible manner (e.g., shift funds between funding streams), they have additional strategies available to balance their budgets.

MTW agencies can also request to waive regulations and statutes. MTW PHAs can waive many of the rules mentioned above, e.g., payment standards, utility allowances, rent recertification, minimum rent, etc. MTW agencies must still comply with fair housing and civil rights laws, and can be subject to the same liability as non-MTW PHAs for the discriminatory effects of their policies.

MTW agencies also have a disproportionate amount of reserves, and some have extremely large amounts of reserves that the MTW PHA should access in the face of a shortfall.