November 15, 2011

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th St. SW, Room 10276
Washington, DC 20410-0001

Re: Docket No. FR-5532-P-01, Revision to the Section 8 Management Assessment Program Lease-Up Indicator

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I am writing to submit comments in response to the Department’s proposed revision to the Section 8 Management Assessment Program (SEMAP) Lease-Up Indicator. NAHRO represents more than 3,100 agencies and over 20,000 individual members and associates. Collectively, our membership manages approximately 83 percent of the entire Housing Choice Voucher (Section 8) inventory. Not surprisingly, our membership is grateful to the Department for finally proposing a change to SEMAP Indicator 13 to calendar year for all public housing agencies (PHAs), but also have concerns regarding the Department’s proposed treatment of incremental vouchers.

Regrettably, our comment was not completed by HUD’s established deadline of October 24, 2011, which coincided with our 2011 National Conference and Exhibition as well as with important appropriation matters that just concluded with the conference committee. Starting in August 2003 and every year since (including many letters to senior HUD PIH officials), NAHRO made written recommendation to HUD PIH staff to go through the rulemaking process and to propose amending existing regulation to reflect that SEMAP assessments of PHAs’ leasing Indicator 13 will be based on a calendar year cycle, rather than a fiscal year cycle. Although HUD’s proposed SEMAP rule (Docket No. FR-5532-P-0) contains an important change not previously discussed, the vast majority of NAHRO’s previous written comments and recommendations were included in our previous correspondence with HUD including.

On November 21, 2008, NAHRO submitted a fifteen page memo with a summary of our policy recommendations to the Obama-Biden Transition Housing and Urban Development Agency Review Team. Our top priority for regulatory reform for Housing Choice Voucher programs in the memo pertained to the mismatch in voucher program performance and budget accounting system timing.

Betsey Martens, President; Preston Prince, CME, Senior Vice President; Chris Lamberty, PHM, Vice President-Housing; Mary E. Paumen, Vice President-International; Paul Purcell, Vice President-Community Revitalization and Development; Alan D. Styles, Vice President-Commissioners; Pamala G. Thompson, PHM, Vice President-Member Services; Deborah E. Wilson, Vice President-Professional Development; Saul N. Ramirez, Jr., Chief Executive Officer

e-mail: nahro@nahro.org web site: www.nahro.org
On March 2 – 3, 2010, HUD’s Office of Housing Voucher Programs (OHVP) held a Convening Session on Section Eight Management Assessment Program (SEMAP) and Portability. The session brought together Public Housing Agencies, industry group representatives, and HUD staff to discuss current challenges and brainstorm about possible solutions related to the topics of SEMAP and Portability in the Housing Choice Voucher Program. When HUD’s Office of Housing Voucher Programs issued its Report on the Convening Session on SEMAP and Portability ([http://portal.hud.gov/huddoc/2010mtgsummary.pdf](http://portal.hud.gov/huddoc/2010mtgsummary.pdf)) a number of recommendations were included in HUD’s proposed SEMAP rule including the recommendation that SEMAP Indicator 13 ratings should be based on a calendar year to line up with the funding cycle calculation. In September 2010, NAHRO submitted our extensive set of SEMAP and portability regulatory and administrative reforms to HUD PIH staff who participated in the March 2 – 3, 2010 sessions.

On May 3, 2011 in response to President Obama’s Executive Order 13563 “Reducing Regulatory Burden; Retrospective Review” (Docket No. FR–5506–N–01), NAHRO submitted comments to HUD on meaningful regulatory reforms that can be undertaken within Federally-funded programs’ existing statutory frameworks. With input from members, NAHRO compiled a series of recommendations including regarding SEMAP, many of which were based on our previously submitted written comments to HUD.

In addition to our previous SEMAP comments and recommendations that have already been submitted to HUD and are enclosed herein as Attachment A, we have a few additional comments related to HUD’s recent proposed rule (Docket No. FR-5532-P-01).

1) Calendar Year As HUD’s Evaluation Period of Indicator 13 and All SEMAP Indicators

Regarding HUD’s proposal to change the evaluation period for SEMAP Indicator 13 from PHA fiscal year end (i.e. 3/31, 6/30, 9/30, 12/31) to calendar year for all PHAs to be consistent with PHAs’ funding year, we have recommended this improvement for over eight years.

Due to Congress not passing annual appropriations bills by September 30th each year, HUD’s funding notices to PHAs have been issued within 60 days from enactment or well into each calendar year retroactive to January 1st. In addition, PHAs’ Housing Assistance Payments (HAP) have been below 100 percent in some years and their ongoing administrative fees averaged below 90 percent since FY 2004, retroactive to January 1st. Needless to say, these factors made it very difficult for PHAs to fully utilize and/or maximize their funding in any given calendar year. All of these factors made it very difficult for PHAs to achieve full points and all SEMAP indicators including Indicator 13. Given these uncertain economic and political times, PHAs could find themselves in a position of always planning for next year – a year that never quite arrives in time. As such, NAHRO recommends that in years when a final THUD appropriations bill is not enacted in time for HUD to issue funding notices by January 1st and/or
in years when PHAs’ HAP pro-rations and administrative fee pro-rations are less than 100 percent, HUD should devise a system to grade on a curve. Grading on a curve should be based on the percentage of the calendar year during which PHAs have had notification of and access to their HAP budget authority, and should take into consideration HAP and administrative pro-rations below 100 percent.

Instead of making the calendar year evaluation period for SEMAP Indicator 13 only, we recommend HUD use calendar year as the evaluation period for all SEMAP Indicators. Making this change would eliminate exceptions to the rule and potential for error due to PHAs having to remember different time periods for HUD’s assessment of different SEMAP indicators. Additionally, the change would provide consistency among the Indicators and among PHAs’ SEMAP assessments nationwide. If HUD made this recommended change, for the sake of administrative convenience the Department could still keep its existing reporting timeframes the same - 60 days after the PHA’s FYE - so HUD would not receive all PHAs’ SEMAP certifications at the same time. Under this approach, information from some PHAs would be several months old by the time HUD received it, but all updated SEMAP-related data is already reported and available to HUD through the WASS.

One recommendation made during HUD’s Convening Session on Section Eight Management Assessment Program (SEMAP) and Portability under the topic of SEMAP rating methodology which we support, is if HUD plans to implement a calendar year assessment period for Indicator 13 that interested PHAs be given an opportunity to have a transitional period to adjust to the change from fiscal to calendar year.

2) HUD’s Proposed Elimination of the 12-Month Grace Period for Leasing and Utilizing Funding for Incremental Vouchers

Regarding HUD’s proposed elimination of the existing twelve month grace period for leasing up and utilizing HAP budget authority from incremental vouchers (i.e. HUD-VASH, Mainstream, FUP, Tenant-Protection vouchers, etc.) before counting them under SEMAP Indicator 13, we do not understand or agree with HUD’s rationale, as none was provided. Upon review of HUD’s written summary of the Department’s Convening Session on Section Eight Management Assessment Program (SEMAP) and Portability, there were no recommendations to support HUD’s proposed change. To the contrary, on the topic of other considerations in calculating SEMAP utilization the group recommended HUD “take into account time it takes for increase in vouchers to result in outcomes.”

Even “higher performer” PHAs that run efficient leasing operations, often lease-up tenant-protection opt-out vouchers within four to six months, for example, from the time of HUD’s award. Incremental HUD-VASH vouchers and vouchers for other special needs populations can take even longer to lease for reasons beyond a PHA’s immediate control, including coordination with social service providers and in some instances to wait for referrals from other entities of eligible households. A potential adverse and unforeseen outcome of HUD’s proposed change to
include incremental vouchers in the PHAs’ lease-up and budget utilization calculations for SEMAP purposes, could result in PHAs taking actions within their discretionary authority such as shortening liberal search times (i.e. 120 days or more) for first-time voucher holders that results in reduced voucher success rates. Instead, we recommend that the SEMAP final rule requires HUD to count any incremental vouchers awarded to a PHA to be counted as they are leased and HAP budget utilized in the numerator and denominator as it occurs. Our recommendation both credits applicable PHAs for the work they have done, provides the necessary incentives for PHAs to maximize their lease-up and budget utilization of incremental voucher awards without placing an arbitrary or artificial time limit that does not account for important local circumstances, does not over-state under-under-state voucher lease-up and budget utilization rates, and would also be consistent with the voucher HAP renewal budget-based formula in existing law.

Under our recommendation, incremental vouchers would not be included in applicable PHAs’ numerator or denominator under SEMAP Indicator 13 if they were not leased or budget utilized within the initial twelve month period from the date of award. This assumes an accurate date of voucher and attendant budget authority awards by HUD. Unfortunately, a number of our PHA members have experienced incremental tenant-protection voucher award increments that were posted retroactively by three to four months from the date the PHA actually received the notice and applicable funds, by their local HUD Field Offices. There are exceptions to the initial twelve month period that should be afforded to PHAs by HUD on a case-by-case basis for longer periods of time, such as litigation vouchers and HUD-VASH vouchers or other voucher programs for special populations. Regrettably, HUD-VASH vouchers where eligibility determinations and referrals by some local Veteran Affairs offices to PHAs, have been and continue to be the underlying cause of underutilization in the HUD-VASH program beyond the initial twelve month period. In these and other similar instances, HUD should grant longer but reasonable extensions or exemptions to the initial twelve month period.

Other recommendations made during HUD’s Convening Session on Section Eight Management Assessment Program (SEMAP) and Portability under other considerations in calculating utilization that we support, include:

• “consider portability when measuring utilization: it has the potential to negatively and unpredictably affect utilization (i.e. last minute absorptions)”

• “build in a special circumstance policy or appeal process to allow PHAs to explain problems in utilization when they receive a low score. PHAs should not be penalized under this indicator for unforeseen factors beyond their control.”

SEMAP indicators dealing with the FMR limit/payment standards and annual re-examinations, for example, were implemented to show whether or not a PHA complies with key program requirements that directly affect it if the correct Housing Assistance Payments (HAPs) and family shares are paid. At the time of its proposed SEMAP rule, HUD stated, “the Department,
however, has some concern about the appropriateness of their placement in a management
assessment program that is primarily intended to be outcome-oriented rather than compliance
oriented. In short, all PHAs should be fully performing on these indicators.” NAHRO has
corns as to whether HUD’s patchwork SEMAP system, devised over several years with
numerous SEMAP and programmatic rule amendments, accomplishes the Department’s initial
goal of devising a management assessment program that is “primarily intended to be outcome
oriented rather than compliance oriented.”

Attached, are a series of concerns NAHRO has with HUD’s SEMAP system (either directly or
indirectly affecting HUD’s assessment of PHAs’ performance under Indicator 13) that we have
provided to HUD PIH each year and over the years, illustrating how we believe HUD has fallen
short of its intended goal with SEMAP. The attachment also includes our additional specific
recommendations either directly or indirectly affecting HUD’s assessment of PHAs’
performance under SEMAP Indicator 13, which are not contained in this cover letter.

NAHRO looks forward to working with HUD to have important changes made to SEMAP, so
that it achieves the goals and objectives intended by Congress and HUD. If you have any
questions or comments, please feel free to call us at 877-866-2476 ext. 7213 or e-mail
(jzimmerman@nahro.org).

Sincerely,

Jonathan B. Zimmerman
Senior Policy Advisor – Housing Assistance Programs

cc:  Laure Rawson, Director, Housing Voucher Management and Operations Division
     Deb Gross, Deputy Assistant Secretary / Policy, Programs and Legislative Initiatives
     Jennifer Lavorel, Senior Advisor / Policy, Programs and Legislative Initiatives
     Danielle Bastarache, Director, Housing Voucher Programs
     Michael Dennis, Deputy Director, Housing Voucher Programs
     Carissa Riddle, Director, Housing Voucher Financial Management Center
     Miguel Sanchez, Director, Housing Voucher Financial Management Division
### Attachment A: NAHRO Written SEMAP Recommendations to HUD in Previous Years Directly and Indirectly Relating to Indicator 13

<table>
<thead>
<tr>
<th>SEMAP Indicator(s) and/or Regulation (if applicable)</th>
<th>HCV Program Purpose &amp; Topic</th>
<th>Statement of Problem &amp; SEMAP Reform Recommendation</th>
</tr>
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<tbody>
<tr>
<td>Lease-up (Indicator 13) [§ 985.3(b)]</td>
<td>Correct timing mismatch between SEMAP performance assessment and budget accounting systems - increasing number of authorized families served, by synchronizing PHAs’ voucher leasing and budget utilization targets to calendar year, consistent with their voucher program funding cycle [24 CFR § 985.3 (n)]</td>
<td>Under current systems, many PHAs face a mismatch between the 12-month periods used to evaluate the number of vouchers under lease for purposes of 1) program performance and 2) accounting. Since the number of voucher families naturally fluctuates, PHAs need a consistent period of time over which to aim for 100 percent utilization – without going over or under. The existing mismatch results in inefficient use of funds and unfair penalties assessed to PHAs. The HUD-controlled evaluation systems should be synchronized to provide PHAs consistent goals that allow efficient budgeting of resources. For over five years, HUD has not followed through with synchronizing the calendar year voucher program funding cycle with annual settlement calculations for PHAs, which continue to be based on each PHA’s fiscal year (i.e. 3/31, 6/30, 9/30, 12/31). The department declared its intention to do this in Section 9A of PIH Notice 2005-1 which stated: “HUD will issue further guidance relating to the Year-End Settlement Statements which, subsequent to the last quarter in calendar year 2005, will be based on calendar years rather than a PHA’s fiscal year end.” Voucher program renewals are funded on a calendar year, yet the Department has not issued the guidance contemplated in the 2005 notice, and PHAs continue to report that their HUD Field Offices are holding them to leasing and budget utilization unit months available (UMA) at their respective PHA fiscal years. This has resulted in unnecessary complexity for PHAs administering the voucher program and has been a contributing factor in producing programmatic inefficiency resulting in a significant drop in lease-up rates of authorized vouchers and budget utilization rates in past years and inhibiting greater numbers of families from being served in the HCV program in more recent years. This problem seems technical, but it has real consequences. PHAs that have sought to increase or decrease their lease-up rates in order to meet their targets for the fiscal year, may place</td>
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themselves in an untenable position for the balance of the calendar year remaining after fiscal year end. Note in this regard that SEMAP scores continue to be generated based on the PHA’s fiscal year, so that HUD’s system introduces incentives to PHAs to make adjustments in the run-up to fiscal year end that they would not necessarily make if year end settlements were synchronized with the funding cycle. Agencies that approach this situation conservatively will serve fewer very low-income households than could have otherwise been served. We believe tens of thousands of households were not leased, in significant part, due to this problem. Unfortunately, this is occurring at a time when “worst-case” housing needs are significantly increasing and the need for efficient use of voucher funds is always important. HCV program Housing Assistance Payment funding offsets are also executed on calendar year basis not by PHAs’ respective fiscal years. The asynchronous administration of SEMAP leasing and budget-utilization scores and the calendar year funding cycle has also prejudiced the SEMAP scores of some PHAs. Further, this has had adverse consequences for these PHAs’ ability to apply for and receive all types of incremental vouchers over the last several years. Further details are contained in NAHRO’s letters to HUD on these issues at: [http://www.nahro.org/members/news/2005/FY05_HCV_ltr.pdf](http://www.nahro.org/members/news/2005/FY05_HCV_ltr.pdf) (12/05) and at: [www.nahro.org/members/news/2007/fy_con.pdf](http://www.nahro.org/members/news/2007/fy_con.pdf) (12/07).

If the above recommendation is implemented, PHAs should be given a transitional period to adjust to the change from fiscal to calendar year. For purposes of HUD’s Section Eight Management Assessment Program (SEMAP) voucher lease-up and budget utilization scores (indicator 13) for PHAs, NAHRO believes that HUD should revise its existing regulations to include in its SEMAP calculations for both voucher lease-up and budget utilization rates; all of days a voucher-assisted household is under an assisted dwelling lease and HAP contract, not just the days starting on the first day of each month. This method would provide a more accurate representation of PHAs’ voucher lease-up and budget utilization rates, as well as their average per voucher HAP costs.

As you know, HUD requires PHAs to engage in accrual accounting on a monthly basis in VMS which requires some retroactive posting of Unit Months Leased and corresponding
HAP expenditures. PHAs’ Unit Months Leased data from VMS is used by the Department to score them on Indicator 13 in SEMAP. The existing time HUD provides from the end of a month to submit their VMS data is insufficient. While NAHRO has an outstanding recommendation for HUD to enable PHAs to use cash accounting in VMS only, during such time that HUD’s existing monthly accrual accounting in VMS stands NAHRO recommends that HUD provide PHAs with 45 days after the end of a month to complete and submit their VMS data.

For purposes of calculating PHAs’ utilization/lease-up under Indicator 13, NAHRO recommends that HUD evaluate PHAs’ performance from the date in which PHAs’ receive their annual budget authority funding notice through the end of the calendar year, but not hold them responsible for leasing and utilization performance during a period when they were operating without any new annual budget authority.

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<tr>
<th>Lease-up (Indicator 13)</th>
<th>Correct SEMAP Voucher lease-up rate calculation method for project-basing of vouchers [24 CFR § 985.3(n)]</th>
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<tr>
<td>PHAs using the Section 8 Project-Based Voucher (PBV) program, want to designate a portion of their Section 8 ACC (up to 20 percent) in order to have enough units to attract or leverage private investment and LIHTC under their local Qualified Allocation Plan. If they do so, it takes time for the Section 8 PBA construction or substantial rehabilitation to take place. Fortunately, Congress removed one important impediment to using the PBV program, by including in the voucher renewal HAP formula a provision that credits PHAs for funding purposes for each voucher “committed” for the Section 8 Project-Based Voucher (PBV) program.</td>
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| However, PHAs that want to take advantage of the Section 8 Project-Based Voucher (PBV) program still find themselves between a proverbial “rock and a hard place.” Under HUD’s existing SEMAP scoring method for determining voucher lease-up and budget utilization rates under SEMAP indicator 13, PHAs are adversely affected because the vouchers being designated or “committed” (but not yet leased) for Section 8 PBV construction or substantial rehabilitation are currently counted by HUD against their voucher lease-up rates during that time period. NAHRO recommends HUD give PHAs a grace period on counting units that have designated or committed Section 8 vouchers under the PBV program for new construction or substantial rehab. This grace period should be provided as long as there is a signed Agreement to Enter into a }
| **Housing Assistance Payment Contract (AHAP), a well-defined construction plan in place with specific time-frames, which are documented and submitted to HUD in a reasonable fashion as determined by the Department.** |
| **Lease-up (Indicator 13)** | **Interim Rule Leaves HUD Field Office Determinations of Utilization Rates Vague** |

HUD’s Interim SEMAP Rule states, “In the event an LHA has not leased the percentage of units needed to attain the points specified for the SEMAP lease-up rating due to escalating HAPs and insufficient allocated budget authority to support that percentage of lease-up, HUD will consider alternatively whether the LHA has expended that percent of allocated budget authority.” There are no other rules or reasonable guidance offered to HUD Field Offices or LHAs about the extent that HUD may “consider” LHAs’ scoring under the lease-up indicator for this reason. Given what is at stake for PHAs with their SEMAP scores, NAHRO believes it is within HUD’s capacity to clarify this important point.

| **All SEMAP Indicators Using PIC Data** | **Minimum PIC Reporting Rate** |

**Annual reexaminations (Indicator 9)**
**Correct tenant rent (Indicator 10)**
**Pre-contract HQS inspections (Indicator 11)**
**Annual HQS inspections (Indicator 12)**
**Lease-up (Indicator 13) [§ 985.3(b)]**
**FSS enrollments & escrows (Indicator 14)**

PHAs that administer HCV programs must submit 100 percent of family records to the Department’s PIC Form-50058 module. Form HUD-50058 records must be transmitted electronically to PIC as set forth by 24 CFR Part 908. PHAs must submit accurate records with no fatal edits (edits that cause PIC to reject records) in order to maintain the integrity of the PIC data and for the Department to consider the records successfully submitted. PHAs must have a minimum 95 percent reporting rate (or 94.5 percent before rounding) or be subject to sanctions for each month the PHA is noncompliant [24 CFR 982.152(d)]. In addition, PHAs will receive zero points for any SEMAP Indicator using PIC data where the PHA’s PIC reporting rate is below 94.5 percent.

HUD’s recent notice (PIH Notice 2010-25) regarding the timely reporting of 50058’s to PIC, requires PHAs’ to submit all 50058's with 60 calendar days. This is not an issue for annual reexaminations, however, it is an issue for interim recertifications. Low-income households participating in the HCV program often experience changes in their employment and hours worked. If a participant loses their job July 25, it is effective August 1. PHAs may schedule an appointment within 10 days of receiving the written request of a voucher-assisted households decreased income, however, the participant may not show up for the first appointment. A second appointment is scheduled and this may be 10 to 15 days later depending on the staff’s schedule, due to increased caseload sizes as administrative fee pro-rations have been well below 100 percent.
for seven consecutive years. It takes approximately four to six weeks to verify income. EIV is a great concept, however, is not efficient in the event of a job loss or reduction in hours. In this common scenario, a PHA would be beyond HUD’s 60 calendar day requirement to 50058 information to PIC.

HUD’s 60-day requirement is also an issue when for example a voucher-assisted household "skips" from the HCV program and the landlord doesn't tell a PHA until three months after they moved out of an assisted-unit, when the agency sends them an appointment for an inspection. In this common scenario, a PHA would be beyond HUD’s 60 calendar day requirement to 50058 information to PIC.

HUD should revise its PIC reporting requirements to accommodate the real world scenarios described above so that PHAs’ SEMAP ratings and earned administrative fee revenue are not sanctioned in an unreasonable fashion. To this end, NAHRO recommends HUD change the requirement for timely reporting of 50058's to PIC in these scenarios to within 120 calendar days.

In October 2007 and later again in September 2008, NAHRO raised specific questions with HUD about the Department’s mathematical calculations in determining PHAs’ PIC reporting rates with their corresponding VMS data from the same three-month time period under PIH Notice 2007-29. To date, the summary explanation of HUD’s methodology to determine PHAs’ PIC reporting rates in this notice provide insufficient details and lack the level of transparency we believe is warranted. Unresolved problems with PIC and VMS beyond the control of PHAs, will have adverse implications for them including:

1) lowering PHAs’ Section Eight Management Assessment Program (SEMAP) scores below what they should be if HUD’s IT systems and HUD PIH program staff evaluations were performed in accordance with HUD’s governing regulations, notices and guidance;

2) sanctioning PHAs’ administrative fee earnings permanently for those with PIC reporting rates below 94.5 percent;
3) under-calculating a portion of PHAs’ ongoing administrative fee earnings and Housing Assistance Payments for vouchers leased after the first of the month;

4) sanctioning PHAs for Rental Integrity Monitoring (RIM) and Rental Housing Integrity Improvement Program (RHIIP) findings; and

5) eliminating 50th percentile Fair Market Rents (FMRs) for several non Moving-to-Work (MtW) PHAs several metropolitan statistical areas around the country.

Given the wide range of impacts on PHAs resulting from their PIC reporting rates including financial sanctions and performance assessment status, NAHRO recommends publication of the Department’s calculations in order to provide greater transparency.

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<tr>
<th>SEMAP Indicator 13</th>
<th>Allow PHAs to implement reduced Voucher Payment Standards in a more timely fashion (24 CFR § 982.502)</th>
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NAHRO believes that the intent of HUD requiring PHAs under existing regulation, to implement a lowered payment standard at a household’s second re-examination of household members and income, was to allow for a two year transition from the merger date of October 1, 1999 of the merger rule (RIN 2577–AB91) governing the consolidation of the Section 8 Certificate and current Section 8 Voucher programs (24 CFR § 248 et al.). However, since the transition to complete the merger of both programs ended by October 1, 2001, this practice of waiting until the second household reexamination remains in place at a significant expense to the HCV program and fewer eligible low-income families being served.

Significant numbers of Public Housing Agencies’ (PHAs) around the country have insufficient HAP funds to lease up to their adjusted baseline number of authorized vouchers. In addition, PHAs had significant amounts of their Net Restricted HAP Assets (NRA) offset from them and utilized significant amounts of their Net Restricted HAP Assets in 2009. Currently, there is nothing on the horizon to replenish some or all of their Net Restricted HAP Assets. An alternative to help provide some measure of financial relief to these PHAs within existing appropriated funds, would be Congress requiring HUD to exercise its existing regulatory authority (24 CFR § 982.502). NAHRO recommends Congress direct HUD to reduce the current time frames required of Public Housing Agencies’ (PHAs) to implement reduced voucher payment standards (CFR
982.505) from households’ second reexamination to the greater of 90-days from the date the household is notified or a household’s’ lease anniversary date.

HUD exercised its authority with the issuance of PIH 2005-9 and through subsequent actions, but PHAs looking to implement shorter time frames for their lowered payment standards have been required by the Department to go through what many believe should be an unnecessary burdensome waiver process. Furthermore, in order for PHAs to have their waiver requests approved in 2005 and beyond, HUD has required them agencies to not re-issue turnover vouchers to eligible applicants or lease them up under the program. HUD’s existing policy creates hardships for agencies that needed waiver approval for shortened time-frames for their payment standard reductions, in order to serve the same number of existing families or to restore their leasing to previous levels or their adjusted ACC baseline number of vouchers.

When there are housing markets which are cooling and so long as a PHA’s regulatory “affordability standard” is met (24 CFR §982.102(e)(3)(iii)), taking the above measure would provide opportunities to remedy their agencies’ funding shortfalls within the existing HAP amounts provided, but while not imposing hardships on low-income families and participating property owners.

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<tr>
<th>SEMAP Indicator 13</th>
<th>Reassessment of PHAs’ Net Restricted HAP Assets</th>
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<tr>
<td>NAHRO recommends HUD correct its error in its wholesale use of PIC data, by reassessing PHAs’ Net Restricted HAP Assets (NRA) amounts using VMS data for voucher leasing and costs. Our recommendation has two elements:</td>
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<td><strong>Reassess PHAs’ Net Restricted HAP Asset amounts.</strong> Many PHAs have significant NRA discrepancies compared with the amounts identified for them by HUD in previous years. HUD’s assessment of some PHAs’ NRA is significantly higher than actually exists. This had the effect of compounding the impact of distributional shortfalls to many PHAs around the country, by overstating a primary source of funding - NRA - necessary to deal with them. In 2009, HUD and Congress took extraordinary actions to help remedy funding shortfalls for PHAs facing terminating families, which took place in large measure due to HUD’s wholesale use of PIC data rather than VMS data for</td>
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“mid-month” leasing. There are other PHAs that experienced funding shortfalls due to the same HUD error, who could not lease turnover vouchers and ended up serving fewer families and had no financial remedy. As a result of HUD’s error, PHAs were forced to lease fewer families than they could have otherwise served. NAHRO recommends HUD recalculate PHAs’ proper Net Restricted HAP Assets (NRA) using VMS data, while continuing to satisfy the $750 million rescission (offset) target mandated in the FY 2009 appropriations act. Without any new appropriations and entirely within the existing amounts of NRA nationwide, NAHRO recommends HUD recalculate PHAs’ proper NRA using VMS data and in accordance with PIH Notice 2009-13. Instead, HUD’s FY 2011 budget plans to cement its inaccurate assessment and offset of PHAs’ NRA, by busting the caps in PHAs’ Annual Contribution Contracts (ACCs) and allowing the “haves” to serve greater numbers of families than their ACC voucher level and the “have nots” to serve fewer families than their ACC voucher level.

- **Recalculate PHAs’ voucher lease-up and budget utilization rates using VMS data, to make sure that they are in the correct utilization groups.** Based on HUD’s wholesale use of PIC data for PHAs’ “mid-month” leasing rather than VMS data, some PHAs’ voucher leasing and budget utilization rates should be reclassified as provided in HUD Notice 2009-13. If completed, this would affect the calculation of PHAs’ NRA offsets.

<table>
<thead>
<tr>
<th>SEMAP Indicator 13</th>
<th>Facilitate and Encourage Transfers of Eligible Populations HCV to Special Voucher Programs within a PHA</th>
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<tr>
<td>Some PHAs with HAP funding shortfalls in their HCV programs also have special allocations of HUD-VASH, Mainstream and FUP Vouchers. Although it would require some coordination, NAHRO recommended the Department take immediate steps to facilitate and encourage these agencies to transfer eligible special population households from their main HCV programs to the applicable special purpose programs with available funding and vouchers.</td>
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<tr>
<th>SEMAP Indicator 13</th>
<th>Reinstate opportunity for temporary and partial transfer of</th>
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<tr>
<td>Previously PHAs that had more HAP funding than could serve 100 percent of their authorized vouchers, worked with under-funded PHAs in their surrounding communities (within the same metropolitan area, non-metropolitan county, or state) to</td>
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<tr>
<td>SEMAP Indicator 13</td>
<td>Remediation of harmful impacts created by HUD’s optional use of OMB statistical area definitions for Fair Market Rents (FMRs) and Annual Adjustment Factors (24 CFR § 888.111, 888.113 and 888.115)</td>
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<td>Provisions in the Section Eight Voucher Reform Act (SEVRA) to decrease the number of applicable dwelling units necessary for determining Fair Market Rent (FMR) areas and submarket areas, coupled with use of housing data from the American Community Survey (ACS) will improve the accuracy of housing market values. Until such statutory improvements are made however, we recommend HUD improve FMR values within its regulatory purview by reinstating use of previous OMB areas for purposes of determining FMRs and Annual Adjustment Factors (AAFs).</td>
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In FY 2005, HUD used its discretion to apply new OMB area definitions to HUD programs including: Section 8 Housing Choice Voucher, Moderate Rehabilitation Single Room Occupancy, Low-Income Housing Tax Credits, and HOME programs. HUD’s discretionary adoption and modification of OMB’s area definitions combined formerly non-metropolitan areas with metro counties, which resulted in the dilution of the value of two key factors used to determine HUD rental assistance levels to families: Fair Market Rents (FMRs) and Annual Adjustment Factors (AAFs). Since 2005, NAHRO has called for the restoration of OMB’s prior area definitions, which |
SEMAP Indicator 13

Improve inflation factors to more accurately reflect local rental costs
(24 CFR § 888.203 and 888.204)

is permissible under OMB guidelines.

To support its discretionary adoption of revised OMB area definitions for purposes of calculating FMR values, HUD’s notice of proposed FY 2006 FMRs states, “Note that 96.9 percent of the population is in areas where the 2000 Census Base Rent changes by less than 5 percent.” In its analysis of FY 2006 FMRs however, NAHRO found significant dilution of metropolitan FMR areas in FY 2006 than they otherwise would have absent HUD’s inclusion of former non-metropolitan counties. In the same analysis, NAHRO found small percentages of households residing in metropolitan areas that experienced increases in FY 2006 FMR values as a direct result of including former non-metropolitan counties. This dilution in FMR values have continued for several years. Not only do the OMB areas not reflect unique housing markets or improve upon the previous FMR areas, but the dilution of FMR values (described herein) disadvantages voucher-assisted households’ (and other federally assisted households’) access to modestly priced, decent, safe and sanitary affordable housing dwellings in the marketplace.

NAHRO conducted a survey from January 15 – April 30, 2006 focusing on the impact of HUD's FY 2006 FMRs. The survey illustrates the adverse programmatic impact of the diluted FMRs. As a result of inadequate FMR values, applicants deemed eligible for the HCV program, after having spent long periods of time on waiting lists, are leasing with their vouchers at lower rates of success than in years past. Diluted FMR values in resulted in decreased rental assistance payments for voucher-assisted households in-place. A copy of one of NAHRO’s FMR comment letters including the results of our quantitative analysis of the extent of diluted FMR values is on pages 36-43, located at: http://www.nahro.org/members/news/2006/FMR_Letter.pdf

Following the 1998 Negotiated Rulemaking Committee’s deliberations, the Department was to collect two-year’s worth of data to analyze more accurate inflation factor alternatives to the existing Annual Adjustment Factors (AAF). Since 1998, the rate of increases in local rents as defined by Fair Market Rent (FMRs) is greater than the rate of increases in modest AAFs, creating greater funding shortfalls and less access to housing markets in their community. NAHRO recommends the
Department take up the recommendation of the Neg. Reg. Committee to analyze housing inflation factor data and to come up with a recommendation in collaboration with voucher program stakeholders to improve upon the existing AAF inflator.

HUD’s discretionary adoption of new OMB areas for FMRs described above, also had adverse effects on PHAs ability to serve low-income families in their communities, by dramatically reducing the number and specificity of AAF values from more metropolitan and non-metropolitan areas and regions; including ten HUD regions down to just four regions – Midwest, Northeast, South, and West. HUD’s discretionary change has provided less accurate FMRs and renewal HAP funding to PHAs as a result. Therefore, NAHRO recommends HUD restore OMB’s prior area definitions for purposes of determining AAF values, which is permissible under OMB guidelines.

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<tr>
<th>SEMAP Indicator 13</th>
<th>Project-Based Voucher Program</th>
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<tr>
<td>HUD’s October 28, 2010 letter providing guidance to PHAs on the treatment of PBV units in VMS, now requires them to include units for which we are making vacancy payments in their Unit Months Leased (UML) in VMS.</td>
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Previously, PHAs had not counted units with vacancy payments as leased units in VMS, PHAs only reported the vacancy payments in the “All Other Vouchers HAP” field because the units are vacant. Since some PHAs are maximizing their voucher lease-up rates and striving for 100 percent, PBV vacant units should not recognized as “Unit Months Leased” in PHAs’ unit counts. If PHAs continue to be required by HUD to list vacant PBV units in their UMLs through VMS, they will end up over-leased as an annual average for the calendar year, and “displace” low-income households who could otherwise be served within their total Unit Months Available (UMA).

Several of PHAs’ PBV units become vacant when a project-base assisted household requests a tenant-based voucher sometime after their first 12 months of occupancy and leases elsewhere. In these instances, PHAs count this leased tenant-based voucher in VMS in their UMLs. With HUD’s October 28, 2010 notification letter, those tenants are now “double-counted” if you will in VMS, while the PHA makes vacancy payments for their former PBV-assisted unit.
When a PBV owner is eligible for vacancy payments and they are made, those HAP expenditures do not often materially increase a PHA’s average monthly per unit HAP cost. As such, it is unnecessary for HUD to make PHAs report them as leased.

Purely from a process standpoint, HUD’s October 28, 2010 letter advised PHAs to correct previous months in VMS if necessary. After revising VMS, HUD has got to stop requiring PHAs to make retroactively revisions of this nature. This is a trend that the HUD has become comfortable with, but it has created tracking problems for PHAs and increases their administrative burden of VMS reporting.

The PBV requirements outlined in HUD’s October 28, 2010 letter, penalizes unassisted eligible applicants waiting to receive a voucher. Given the Department’s important and ambitious goals to serve more families in its FY 2010 – FY 2015 Strategic Plan, its existing guidance on entering PBV vacant units into VMS seems to miss the larger goal of serving eligible low-income households.

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<tr>
<th>All SEMAP Indicators</th>
<th>Ensure Program Performance Assessments are Consistent with the Level of Resources Provided</th>
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<tr>
<td>NAHRO has previously provided HUD with a bar graph showing Section 8 ongoing administrative fee pro-rations relative to statutory administrative fee rates in effect immediately prior to the enactment of the &quot;Quality Housing and Work Responsibility Act of 1998.&quot; The black bar graphs show how enacted annual appropriations funding levels for ongoing administrative fees have compared with this benchmark. The white bar graphs show the percentage of authorized vouchers assisted under the HCV program. PHAs' lease-up rates of voucher-assisted low-income households increases each year, while PHAs have experienced an average -10 percent shortfall over the last seven-years (FY 2004 - FY 2011) in ongoing administrative fee funding as compared with the pre-QHWRA benchmark. In other words, PHAs of all types — city, county, multi-county and state — that administer the HCV program received ten percent less on average each year from CY 2004 – CY 2011 than they were otherwise eligible to earn for each household assisted under the program at pre-QHWRA fee rates. The gap between PHAs' on-going administrative fee pro-ration percentages and the national voucher lease-up rates continues to increase and is set to reach the widest gap in the history of the HCV program in FY 2011. Such a gap is not only inconsistent with HUD's goal to serve 207,000 more low-income families by the end of FY 2011, but imbalanced with HUD’s SEMAP</td>
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standards which assumes full funding each year. It takes PHA staff and information systems to help low-income families and participating property owners succeed, and for PHAs to comply with the myriad requirements of the HCV program. NAHRO recommends that HUD’s SEMAP system be graded on a curve commensurate with the level of pro-rated on-going administrative fees.

The ongoing administrative fee pro-rations in NAHRO's study do not include additional losses of operating revenue from the elimination of special fee funding for audit reimbursement, "hard-to-house" when assisting families that include three or more minors or a person with disabilities, lead-based paint assessment and clearance, closings for first-time homebuyers under the voucher homeownership program, or from conversion actions. Conversion actions include owner prepayment of a mortgage, owner opt-outs, HUD property disposition actions, and HUD enforcement actions. Special fees have been authorized but not fully funded for several years. With ongoing administrative fees representing approximately 8.4 percent of HAP renewal funds, the HCV program provides the nation with one of the most economically administered programs.

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<tr>
<th>No Present SEMAP Indicator</th>
<th>Put SEMAP in a housing market-based context (24 CFR § 985.3)</th>
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| The HCV program is a market-based program, and should be evaluated in a market-based context. For several years, NAHRO has called for HUD to include critical market-based factors in evaluating Section 8 HCV program performance. Many factors impact the lease-up rate, including Fair Market Rent (FMR) levels, the availability of affordable housing, and prevailing market conditions in individual localities are just a few examples.

HUD has access to a wealth of quarterly rental housing data at the local level, including rental vacancy rates and market absorption data. NAHRO believes that the SEMAP lease-up indicator should be held in comparison with quarterly local rental market data already available to HUD, rather than held in isolation, which is currently the case. NAHRO believes that the “success rate” data captured in SEMAP will also help put PHAs’ “lease-up” rates in better context. |

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<tr>
<th>All SEMAP Indicators</th>
<th>SEMAP should account for tradeoffs PHAs face while attempting to</th>
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<td>On June 14, 2010, NAHRO filed comments with HUD Office of Policy Development and Research (PD&amp;R) regarding its draft Research Agenda, with a series of recommendations and ideas for possible research to be funded in the next fiscal year (2011) and beyond. Included in our comments, we noted, “[1]n</td>
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balance the above program goals within their “budget-based” HAP funding allocations and administrative fee budgets averaging 90 percent

the past, HUD's studies have largely examined one aspect of the HCV program such as voucher success rates, HQS compliance rates, income to rent burdens, mobility, and portability, serving unassisted waiting list families, etc. However, since FY 2003 PHAs have had “budget-based” funding, resulting in PHAs having to balance all of these goals of the HCV program within the HAP and administrative fee funding provided. NAHRO believes it is important to design a study that captures comprehensive information about tradeoffs PHAs face while attempting to balance the above program goals within their “budget-based” HAP funding allocations and administrative fee budgets averaging 90 percent from FY 2004 to the present. NAHRO believes the kind of discretionay authority provided under QHWRA as well as the MtW demonstration, provides much needed opportunities for localities to balance competing program goals. Within that context, we believe that a future HUD study can illustrate the HCV programs' current conditions relative to these goals, as well as illustrate examples where the balance is being struck and the methods agencies' used within their budgets to achieve balanced outcomes.” There are a series of important program areas measured within SEMAP. SEMAP was developed and initially implemented during a different HAP funding formula and administrative fee pro-rations, but has not been substantially reformed to the funding realities PHAs have faced since FY 2003 and beyond. The fiscal realities of HAP and administrative fee funding constraints within PHAs’ HCV programs, results in a number of a SEMAP performance indicators competing with one another for all practical purposes. Currently, SEMAP ratings do not account for the tradeoffs associated with competing performance indicators in the current funding environment. NAHRO believes that it is essential to embed within a reformed SEMAP system a method of accounting for these inherent tradeoffs, which we describe in greater detail below.

<table>
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<tr>
<th>All SEMAP Indicators</th>
<th>Justification for SEMAP’s Point Rating System</th>
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|                      | NAHRO has questions about whether the SEMAP point weighting system accurately reflects proper management evaluation of PHAs’ Section 8 programs. The closest HUD has gotten throughout the regulatory process to explaining or justifying the underlying reason(s) for each indicator was in the discussion section of the proposed SEMAP rule (FR 12/02/96). It states: “The indicators were chosen first and foremost to ensure that the Section 8 programs consistently operate to meet the intended result of helping eligible families afford decent rental units at a reasonable subsidy cost (i.e., to assist “the right
families in the right units at the right cost." In addition, certain indicators measure whether rental assistance is delivered effectively (e.g., time from request for lease approval to HQS inspection, lease-up, deconcentration) and whether the PHA advances the critical goal of family self-sufficiency (FSS) (e.g., FSS enrollment, welfare to work).” But, because HUD has never published its justifications or explanations for its underlying point rating system, we have no way of understanding whether the Department’s logic in evaluating the relative weights of each indicator is fair or not. However, given our members’ day-to-day experiences with program administration, we do not believe the point rating system is fair or appropriate, and we would like to see it improved.

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<tr>
<th>All SEMAP Indicators</th>
<th>SEMAP Point Rating System Is Too Narrow</th>
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<td>NAHRO does not believe that HUD’s “all-or-nothing” point award system provides a fair reflection of PHAs’ management capabilities or performance. PHAs that have 98 percent compliance with the “Waiting List” indicator receive 15 points, but anything shy of 98 percent compliance and they receive 0 points. The drop-off of 15 points or 0 points for the “Waiting List” indicator is too severe and does not help achieve HUD’s goal of effective monitoring of the Section 8 program. Similarly, PHAs that achieve 98 percent compliance in the “HQS Enforcement” indicator is 10 points, but 0 points if compliance is anything shy of that threshold. PHAs that achieve 80 – 97 percent compliance with the “Rent Reasonableness” indicator receive 15 points, but 0 points of anything short of that. PHAs that achieve 95-97 percent leasing (or possibly utilization) receive 15 points, but nothing if they are short of that threshold. By contrast nine other SEMAP indicators have a drop of only five points (from five points to 0 points) or less, in the way they are structured. Given the overall scoring system, a drop of 5 points, is much less severe than 10 or 15 points, as is the case with “Waiting List” or “HQS Enforcement” indicators. Such an award system does not make for a fair or appropriate rating system and needs to be improved.</td>
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<th>Seven Indicators Used for Small PHAs</th>
<th>Improve SEMAP performance assessments for small PHAs (24 CFR § 985)</th>
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<td>For years, NAHRO has called for HUD to reform its point rating system for small PHAs, which HUD’s studies have demonstrated unfairly skewed overall ratings for small PHAs. Small agencies are assessed under the Section Eight Management Assessment Program (SEMAP) on only seven of the 13 indicators available. As a result, the total number of possible points in the denominator of their overall score is less than medium and large-sized agencies. Therefore, deductions in points for any of the seven indicators in the numerator of</td>
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their overall score, has a greater disproportionate impact on their SEMAP score than medium or large-sized agencies. A copy of HUD’s SEMAP report to Congress regarding its adverse impact on small PHAs is accessible at: [HUDSEMAPREPORTTOCONGRESSVER4ATTACHME.pdf](HUDSEMAPREPORTTOCONGRESSVER4ATTACHME.pdf).

First, NAHRO recommends that the weighting of points in SEMAP for PHAs scored under seven indicators is the same as all other PHAs scored on 13 indicators.

Second, for small PHAs defined as those with 550 or fewer Housing Choice Vouchers and public housing units and combined, NAHRO recommends replacing the Section 8 Management Assessment Program (SEMAP) with two simple criteria:

1. Small agencies must inspect each HCV subsidized housing unit at least once every 3 years.

2. Small housing authorities must use an acceptable proportion of available vouchers or available funds. Using 90 percent of vouchers or funds is acceptable.

Small PHAs failing to meet these standards to establish a corrective action plan with HUD. HUD would retain other remedial options in the event of material non-compliance with an agreement.

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<tr>
<th>All SEMAP Indicators</th>
<th>“High Performer” Status</th>
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<td>Many years ago when HUD’s Grants Management Center invited PHAs to apply for incremental vouchers, whether they were incremental HCV, HUD-VASH, FUP or 1-Year Mainstream vouchers, HUD’s scoring criterion gave additional points in awarding competitive applications to PHAs that were “high performers” in SEMAP and had high voucher utilization rates in the most recent year. Unfortunately, HUD suspended this practice. If/when voucher program HAP and administrative fee pro-rations are restored to 100 percent in the future, NAHRO recommends that HUD reinstate this past practice, so that SEMAP scores resume meaning something more meaningful to communities than they do today.</td>
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<tr>
<th>All SEMAP Indicators</th>
<th>Improve monitoring and oversight of housing agencies</th>
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<td>The administration of the Section 8 voucher program is already reviewed through Rental Housing Integrity Improvement Program (RHIIP)/Rental Integrity Monitoring (RIM) on-site reviews, SEMAP confirmatory on-site reviews, independent</td>
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with demonstrated program performance where they are truly at-risk of going into “troubled” status audits, and checks in the Financial Management Center, and MTCS. All of these reviews require additional staff time in what is already a staff intensive program operating with continuing insufficient funding in administrative fees. While we acknowledge that the Department has the right (and obligation) to conduct reasonable oversight activities, as well as a mandate to ensure that its data systems contain accurate data, we believe that it also has the obligation to conduct those activities in an efficient manner that avoids redundancy and causes the least disruption of PHA activities. Its obligation in this respect is all the more acute at a time when there are fewer resources available to serve Section 8 families. What measures are in place to make sure that agencies are not subject to a multiplicity of on-site visits for duplicative purposes?

The Department has internal risk-assessment databases to use when targeting on-site audits, yet PHAs which administer 80 percent of all vouchers nationwide that have received multiple HUD audits over the last several years have been subject to HUD’s additional “consolidated reviews.” HUD’s “consolidated reviews” have taken place with PHAs without their ever having received the results of previous on-site HUD reviews so that any previous problems identified could be corrected if necessary. Greater measures are needed, to make sure that PHAs are not subject to a multiplicity of on-site visits for duplicative purposes. HUD’s description of the audits is unacceptably vague. To date, no protocol or transparent set of standards for those audits have been provided.

As you know, a select number of PHAs operating voucher programs have been part of HUD’s reviews to determine the accuracy of information reported in the Voucher Management System (VMS) and the Public Housing Information Center (PIC) system. NAHRO has several concerns about these reviews:

We are concerned about the necessity for these reviews and whether they duplicate other audit activities. PHAs operate their voucher programs in an operating environment in which financial support for the administration of the voucher program has been being reduced to an average of 90 percent pro-rations for the last seven consecutive years. It is not clear why, given the many audits and checks already available to HUD, these reviews are necessary.
The text of the conference agreement relating to the funding of the new Quality Assurance Division states that the new division is to be established “to ensure accurate and timely data regarding the expenditure and projected future funding requirements for the Section 8 Voucher Program.” The language itself contains no indication that the QA Division was intended as a vehicle to conduct on-site audits of the public housing agencies. In light of Departmental testimony before Congress in FY 2004 that the Department had inadequate staffing to properly administer the program through PHAs, and in as much as numerous audit functions are already accomplished by other means, a more likely congressional intent is that these 75 new QA Division employees are intended for predominantly internal work directed specifically to improving the administration of the program and the accuracy of program data.

This might – and properly should - involve work to improve HUD’s Voucher Management System (VMS) data collection and reporting system, refining the Department’s risk assessment procedures, and verifying data where it is either incomplete or where reason exists to believe that it is inaccurate. In our view, the latter circumstance is the only one which might properly involve dispatching QA Division personnel to PHAs for on-site inquiries.

Could you give us a clear idea of the agency selection criteria for these reviews? We understand that the Department’s review and validation of the Voucher Management System (VMS) demonstrated that the percentage of agencies with unverifiable data or data submissions beyond what could be accounted for under the QA Division’s internal tests was negligible (in the range of 20 agencies or 0.008 percent). The Department has available internal risk assessment databases to use when targeting on-site audits. Were the agencies with on-site reviews, among those with unverifiable VMS data or those identified under ordinary risk assessments, or have they been selected on some other basis?

We also have concerns about the process. The description of the audits, in the documents we have seen is unacceptably vague. There is no protocol and no transparent set of standards for the audit. It is unclear from HUD’s letters to agencies what
exactly the staff looks, what questions are asked, and what specific data is requested? Do you intend additional reviews? If so, when and for what purpose?

We ask that HUD further explain the Department’s intentions for achieving congressional intent in this area and that you meet with the PHA industry groups so that we can communicate the purpose and scope of these reviews to our members. We are also eager to learn how the Department is using these resources to improve the reliability of its own data systems.

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| Attached, please find NAHRO’s bar graph showing Section 8 ongoing administrative fee pro-rations relative to statutory administrative fee rates in effect immediately prior to the enactment of the "Quality Housing and Work Responsibility Act of 1998." The black bar graphs show how enacted annual appropriations funding levels for ongoing administrative fees have compared with this benchmark. The white bar graphs show the percentage of authorized vouchers assisted under the HCV program. PHAs' lease-up rates of voucher-assisted low-income households increases each year, while PHAs have experienced an average -10 percent shortfall over the last seven-years (FY 2004 - FY 2011) in ongoing administrative fee funding as compared with the pre-QHWRA benchmark. In other words, PHAs of all types — city, county, multi-county and state — that administer the HCV program received ten percent less on average each year from CY 2004 – CY 2011 than they were otherwise eligible to earn for each household assisted under the program at pre-QHWRA fee rates. The gap between PHAs' on-going administrative fee pro-ration percentages and the national voucher lease-up rates continues to increase and is set to reach the widest gap in the history of the HCV program in FY 2011. Such a gap is not only inconsistent with HUD's goal to serve 207,000 more low-income families by the end of FY 2011, but imbalanced with HUD’s SEMAP standards which assumes full funding each year. It takes PHA staff and information systems to help low-income families and participating property owners succeed, and for PHAs to comply with the myriad requirements of the HCV program. NAHRO recommends that HUD’s SEMAP system be graded on a curve commensurate with the level of pro-rated on-going administrative fees.

The ongoing administrative fee pro-rations in NAHRO’s study do not include additional losses of operating revenue from the
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<th>No Present SEMAP Indicator</th>
<th>Consortia (24 CFR § 943)</th>
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<td>elimination of special fee funding for audit reimbursement, &quot;hard-to-house&quot; when assisting families that include three or more minors or a person with disabilities, lead-based paint assessment and clearance, closings for first-time homebuyers under the voucher homeownership program, or from conversion actions. Conversion actions include owner prepayment of a mortgage, owner opt-outs, HUD property disposition actions, and HUD enforcement actions. Special fees have been authorized but not fully funded for several years. With ongoing administrative fees representing approximately 9.3 percent of HAP renewal funds, the HCV program provides the nation with one of the most economically administered programs.</td>
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<td>HUD was compelled under the consortium statute (Section 13(a)(2)(B) of the U.S. Housing Act) within the Quality Housing and Work Responsibility Act of 1998 authorized local agencies to form consortia, to facilitate cooperative arrangements, and to consolidate all HUD reporting requirements for agencies engaged in consortium. Unfortunately, HUD has not accommodated the consolidated reporting necessary to facilitate the formation of consortia. As a result, the consortia process has not been as widely used as many PHAs would like. Operating in consortia could afford the benefits of scale and allow PHAs to administer a multitude of programs through this vehicle, while preserving the advantages of local knowledge and involvement in affordable housing efforts.</td>
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<td>HUD should make clear that PHAs engaged in consortia are each scored separately under SEMAP and that the SEMAP score of no other PHA in the consortia jeopardizes or improves the SEMAP score of another PHA in the consortia SEMAP score.</td>
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