



**Statement Of The  
National Association Of Realtors® And The Institute Of Real Estate Management  
To The House Subcommittee On Housing And Community Opportunity On Proposals  
To Improve The Housing Voucher Program  
June 10, 2003**

The NATIONAL ASSOCIATION OF REALTORS® and its affiliate, the Institute of Real Estate Management welcome this opportunity to offer its observations and viewpoints on reforms to the Section 8 voucher program. The NATIONAL ASSOCIATION OF REALTORS® is comprised of over 880,000 real estate professionals involved in all aspects of the real estate industry, including the owners and managers of multifamily rental and commercial property. The Institute of Real Estate Management® is comprised of over 9,000 property management professionals who manage over 24 percent of the nation's conventionally financed apartment units, and 1.4 million units of federally assisted housing.

The NATIONAL ASSOCIATION of REALTORS® and the Institute of Real Estate Management believe that federally assisted-housing programs have proven records for producing and preserving affordable housing. These programs must not only be preserved but also strengthened and provided with significant additional resources. Our members are involved in the ownership and management of Section 8 properties in recognition that affordable rental housing is the first step on the housing ladder for many Americans.

The Section 8 voucher program provides a government subsidy to bridge the gap between a low-income tenant's income and the cost of providing housing, enabling recipients to choose where they want to live. The property operator enters into a contract with the tenant and third party, usually the local housing authority, which pays the portion of the rent above the amount to which the tenant is directly obligated to the landlord, as a rental subsidy, subject to maximum fair market rents for the community. Because of the limited supply of affordable housing, each year tens of thousands of vouchers are returned, unused, to HUD because the families provided the assistance were simply unable to locate affordable housing.

Legislation has been introduced to dramatically change the Section 8 voucher program. The proposal, to block grant Section 8 vouchers, would give authority for the Section 8 program to states. States could then contract with housing authorities or other entities to administer the housing vouchers.

The NATIONAL ASSOCIATION of REALTORS® opposes block granting of the Section 8 voucher program. We are concerned that state administration of the housing voucher program would place too high a responsibility on already burdened states. In addition, we fear that funding levels under the program, as proposed, would be insufficient to handle housing needs in the future. However, we do agree with the Administration that changes to the existing Section 8 voucher program are needed to improve and enhance efficiency and increase voucher usability.

A prominent reason for the deficient supply of available and affordable rental housing is property owners' increasing unwillingness to accept housing vouchers due to the regulatory burdens associated with the program. Participation in the program requires a property owner to sacrifice many private property rights and forces the operator to comply with burdensome government regulations and procedures, which can seriously compromise the performance and financial viability of a property. These disincentives include entering into housing assistance payment contracts; amendments of landlord leases; and compliance with regulations not

normally attendant in conventional housing practices. Inconsistencies across housing authorities in the administration of the program further complicate the process. However, evidence has shown that those Public Housing Authorities (PHA), which conduct active landlord outreach programs have a far greater utilization rate than those that do not.

To encourage broader landlord participation in the Section 8 voucher program, and thus maximize the objective of the program, the National Association of REALTORS® and the Institute of Real Estate Management recommend the following specific changes:

- **Uniform Leases**– Most housing authorities require Section 8 voucher holders use a HUD lease-addendum that ignores conventional lease provisions, local and state landlord-tenant laws, and widely-accepted lease terms. This creates a property with two classes of residents – just what the program is attempting to avoid. Instead local PHAs should be encouraged to approve the landlord's standard lease, provided that it is compliant with state and local landlord tenant laws and applicable fair housing law. If some provisions are not satisfactory to the PHA, they can negotiate a lease-addendum that is acceptable to both parties. Requiring landlords to disregard their lease in favor of the PHA's lease terms is simply unacceptable to many property owners.

- **Timely Payment** – Many participating property owners complain about lengthy delays in receiving payments from PHAs, especially as they relate to new tenants. With a conventional tenant, the property owner often sets late charge fees for late rental payments, and as a last resort can evict residents who do not bring past due rent current. This is not the case with voucher tenants, in which the government mandates late charge penalties, which are often less than in conventional housing. In addition, the problem often lies with the payment process and not the tenants. While tenants may pay their portion of the rent in time, the government's share of the payment is often delayed. HUD should require PHAs to use an electronic funds transfer to make payments on a specific date each month. Owners should be allowed to charge the PHA reasonable late fees for payments not received on time, which would be an effective check and balance geared to efficient processing of rental subsidy payments.

- **Property Inspections** – The program requires PHAs to inspect all eligible units individually to make sure they meet Housing Quality Standards. It can take lengthy periods of time for this to occur; in the meantime the unit is left vacant and the property owner is receiving no revenue. This delay in lease and rent commencement is sufficient reason to discourage property owners from participating in the program. One solution would be to allow a random sample of units to be inspected in order to qualify a property. This could be done on a yearly basis, and would avoid the time-consuming unit-by-unit inspections that delay unit turnover.

Also during a re-inspection, tenants should be allowed to self-certify small deficiencies (such as missing light bulbs, missing batteries in smoke detectors, etc.). The property owner can make those repairs, which are necessary, but residents should be held responsible for those violations that are the tenant's contractual obligation, under their exclusive control, and/or that they have not reported to the building management.

- **Security Deposits** – Conventional tenants are responsible for excess damages on move-out. However, voucher residents aren't held to this same responsibility, since little security deposit is paid. In addition, the PHA conducts a yearly inspection of the property and holds the property owner responsible for repairs to the apartment, even those that are caused by tenant misuse of the unit. A conventional tenant would be responsible for paying for problems they caused in the unit. For a voucher tenant, the property owner must pay for the repairs or the PHA won't renew the contract. The landlord is then left to shoulder the burden of evicting the tenant and then paying for the repairs to attract a new tenant. PHAs should hold residents responsible for the condition of the unit, and should pay a security deposit for damages found after move out. To discourage tenants from abusing their rental unit, we believe tenants should be required to reimburse their former landlord for damages prior to future participation in the voucher program.

- **Delays in Occupancy** – A number of bureaucratic hurdles result in lengthy delays in

occupancy of a tenant. Time involved in preparing appropriate documents, getting leases signed and approved, waiting for physical inspections (as discussed above), and similar technical holdups can cause a serious delay in tenant move-in. This means the unit stands vacant, with the property owner receiving no revenue, while all the proper forms are filed and routed through all number of individuals. The most important role of a property owner and property manager is to lease the property. Extensive delays in lease-up mean lost revenue. Quick turn-around is crucial for the success of voucher acceptance.

- **Landlord Outreach** – PHAs should be encouraged to hold informational meetings with local property owners and property managers to explain the program and to respond to concerns that may have dissuaded the owners from participating in the program in the past. Many owners simply are not familiar with many aspects of the program, and are leery to get involved with matters they don't understand. We have seen some PHAs select a specific individual to act as a liaison to property owners, including a "landlord hotline" that participating owners can call when they have problems or questions about the program. This creates a level of comfort for owners if they know they have someone specific to contact when they have concerns.

- **Rent Levels** – In some areas of the country, the rents permitted under the voucher program have not kept pace with rising rental markets. Last year HUD initiated a new program to allow Fair Market Rents (FMR) to be raised to the 50th percentile in high cost areas. This should be the standard in all markets. When rents are set at this level, 49% of rents fall below this amount, and 49% are above. This creates a rent level at the average rent for the area. Currently, the FMR is set at the 40th percentile and many owners believe that this does not fairly and accurately reflect market rates. Additionally, the Section 8 statute should be amended to allow PHAs to increase the payment standard above 120% of the Fair Market Rent (FMR).

In many areas of the country, the Section 8 voucher program discourages property owners from accepting voucher residents due to its burdensome and complex guidelines and operations. Housing Authorities that have implemented any of the above suggestions, or programs similar to them, have found much greater success in the use of vouchers by their residents. Instead of keeping landlords away, HUD and housing authorities should implement programs that incentivize owner participation, resulting in greater housing options for Section 8 residents.

The Section 8 voucher program allows families the freedom to make their own housing choices. However, without more flexibility in the program, families are often unable to find any housing at all. We encourage reforms to the program that provide greater housing opportunity for residents, by allowing housing authorities to respond to market demands in their area. Without such flexibility, vouchers go unused, and families are forced to remain in sub-standard housing.

In conclusion, the NATIONAL ASSOCIATION of REALTORS® believes the Section 8 program is a fundamental and viable federal program that can be enhanced to meet program objectives and the intent of Congress. We appreciate the opportunity to share our viewpoints for improving the program, and we stand ready to work with the Committee to implement our recommendations.

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