

Hardship Policy - Activity 1c and 1d – Stepped Rent Policy

Stepped Rent Hardship Policy - Overview

The Stepped Rent policy is intended to benefit assisted households by allowing them to increase their income without a direct increase in their total tenant payment (TTP). The TTP will instead increase each year by a modest amount unrelated to the household's income. However, some households may need special accommodations to avoid negative consequences of the stepped rent.

General Hardship Provisions

Hardships must be requested by the household in writing, with the exception of automatic hardships processed by the PHA during the income certification that takes place at STRD enrollment. Hardship requests should use the PHA's hardship request form.

When a household submits a valid hardship request, the PHA will suspend the stepped rent for the household, beginning the next month after the request, until the PHA has determined if the hardship request is warranted. The PHA will complete hardship reviews within 10 days. If the hardship request is denied, the household may be required to enter into a repayment agreement.

There is no limit to the number of hardships that a household may receive.

If a household is approved for a hardship, and subsequently experiences another adverse event while still in hardship status, they may request an additional hardship that might further reduce their TTP.

If a household is approved for a hardship, they are not required to report subsequent income increases during the period of their approved hardship. Once the PHA approves a hardship, the hardship will not end early.

If a household is approved for a temporary hardship, when that hardship is scheduled to expire the household will be notified and may request an extension. When a hardship expires, the household will return to paying the stepped rent, including any annual stepped rent TTP increases that were scheduled to take effect during the period of the hardship.

If the head of household, spouse, or co-head of household becomes elderly or disabled, the household is eligible to be excluded from the stepped rent policy and return to the traditional income-based rent policy.

This hardship policy presents eligibility criteria and remedies for different types of hardships. The different types of hardships below are not mutually exclusive. If a household's circumstances correspond to more than one type of hardship, they will receive the hardship most beneficial to them.

Hardship Types, Criteria, and Remedies

- I. **Hardship Due to High Rent Burden.** Households participating in the stepped rent will be eligible for a temporary hardship exemption if the stepped rent causes a rent burden above 40%. The high rent burden may be caused by a reduction in income, an increase in eligible deductions, or the annual stepped rent TTP increase (or a combination of factors).

Automatic hardship: For households already receiving assistance, when the PHA conducts an income examination at the time of enrollment, the PHA will compare the household's current adjusted income with their prior year/retrospective adjusted income. If the household's current adjusted income is lower than their prior year/retrospective adjusted income, the PHA will automatically determine whether the household is eligible for a hardship exemption.

Hardship requested by household: At any time other than the income examination that takes place at enrollment, a hardship must be requested in writing by the household.

Eligibility: A household will be eligible for this hardship exemption if the stepped rent policy causes their rent burden (their total tenant payment divided by their current adjusted monthly income) to exceed 40%.

Remedy: The household's TTP will be set equal to 40% of their current adjusted monthly income or the minimum rent, whichever is greater. This hardship will last for six months if the high rent burden is caused by a reduction in income or by the application of a stepped rent TTP increase. The hardship may be set to last twelve months if the high rent burden is caused primarily by an increase in eligible deductions and those deductions are expected to apply for the next twelve months.

Example 1 (automatic hardship due to loss of income): When she starts the stepped rent, Suzanne has a prior year/retrospective adjusted income of \$12,000 (\$1,000 per month). Her year 1 stepped rent TTP should be set at \$300 (30 percent of \$1,000). However, Suzanne recently lost her job and her income in the previous month was only \$100 (she has no eligible deductions, so her gross monthly income and adjusted monthly income both equal \$100). While conducting the initial stepped rent income examination, the PHA recognizes that her current income (\$100 per month) and the stepped rent TTP (\$300) would cause a rent burden above 40%, so she is eligible for a hardship exemption. 40% of her current adjusted monthly income would be \$40, but the PHA has a minimum rent of \$50, so Suzanne's hardship TTP is set at \$50 for six months.

Example 2 (hardship requested by household due to loss of income and application of a stepped rent TTP increase): Jane has \$1,000 prior year/retrospective adjusted monthly

income when she starts the stepped rent. Her TTP is set at \$300 per month for the first year. In the second year, a \$50 stepped rent increase is applied and her TTP increases to \$350. At the beginning of the second year, she also has her hours reduced at work, and her income decreases to \$600 per month. Her rent burden would be 58% (\$350 divided by \$600) so she applies for a hardship exemption. Her request is approved, and her TTP is set equal to 40% of her income, or \$240 per month. This hardship TTP will last for six months.

Example 3 (hardship requested by household due to increase in eligible deductions):

When she starts the stepped rent, Felicia has a prior year/retrospective adjusted income of \$2,000 per month (she has no eligible deductions, so her gross monthly income and adjusted monthly income both equal \$2,000). Her year 1 stepped rent TTP is set at \$600 per month (30% of \$2,000).

Eight months later, she has a baby. In order to continue working, she enrolls her child in childcare at a cost of \$960 per month (\$11,520 per year). She applies for a hardship exemption and the PHA determines that she has \$12,000 of eligible deductions (\$11,520 in childcare expenses plus a \$480 dependent deduction). The deductions are subtracted from her current gross income, which is now \$2,100 per month (\$25,200 per year). This results in an adjusted income of \$13,200 per year, or \$1,100 per month. The stepped rent (\$600) causes a rent burden of 55% so she is eligible for a hardship, and her hardship TTP is set to \$440 (40% of \$1,100). The hardship TTP will apply for twelve months.

- II. Stepped Rent Reset for Sustained Hardships.** If a household receives a temporary hardship under section I, due to a rent burden above 40%, and the hardship condition persists after 12 consecutive months, the PHA may reset the household's stepped rent. The PHA will consider these requests on a case-by-case basis and decisions will be made by the PHA's hardship review panel; the hardship review panel will consist of the MTW Coordinator, one Supervisory Housing Specialist, and the HCV/PH Program Director.

Eligibility: The household has been approved for a hardship under section I. They remain in hardship status for 12 consecutive months. At the end of 12 months, the household requests that the hardship be extended. The hardship review panel determines that a permanent stepped rent reset would be better than continuing with temporary income-based hardships.

Remedy: The PHA will calculate a new stepped rent TTP at the higher of the minimum rent or 30% of prior year/retrospective adjusted income. This will not be a temporary hardship; the resulting TTP will apply for 12 months and will establish a new base on which future stepped rent annual increases will be applied. This action will establish a new annual cycle for the household's stepped rent increases.

Example: Felicia (from Example 3, above), pays the \$330 hardship TTP for twelve months. When her hardship expires, her TTP would increase to \$650; her initial stepped

rent TTP was \$600, and a \$50 stepped rent increase is applied because one year has passed since her first reexamination after enrollment. But her circumstances have not changed: she still has a current gross income of \$2,100 per month (\$25,200 per year), eligible deductions of \$12,000 per year, and a current adjusted income of \$1,100 per month (\$13,200 per year). The \$650 stepped rent would cause a rent burden of 59%, so she requests another hardship exemption. The PHA's hardship review panel determines that it would be best to reset Felicia's stepped rent TTP because 1) that will enable her to increase her income going forward without a corresponding rent increase, and 2) it will reduce the PHA's administrative burden by eliminating the need for ongoing annual hardship reviews. Felicia's new stepped rent TTP is set at \$330, which is 30% of her prior year/retrospective adjusted income.

- III. Other Circumstances.** A household may request a hardship exemption for other circumstances not outlined above, such as the death of a family member, a significant increase in reasonable and necessary out-of-pocket expenses because of changed circumstances (for example, a large medical bill), or if the household is facing eviction due to inability to pay the rent. The PHA will consider these requests on a case-by-case basis and decisions will be made by the PHA's hardship review panel; the hardship review panel will consist of the MTW Coordinator, one Supervisory Housing Specialist, and the HCV/PH Program Director.

Eligibility: The hardship review panel determines that circumstances beyond the household's control make it difficult for the household to pay the stepped rent TTP, and a temporary rent reprieve is necessary.

Remedy: The PHA will set the household's TTP to the \$50 minimum rent for up to three months (90 days).

- IV. Right to Appeal:** If the household disagrees with the decision of the Housing Authority to deny a hardship exemption, the household may request a second level review in accordance with the FWHA informal hearing or grievance procedures.