May 23, 2022

Dominique G. Blom  
General Deputy Assistant Secretary  
Office of Public & Indian Housing  
Department of Housing and Urban Development  
451 Seventh Street, SW  
Room 4100  
Washington, DC 20410

Dear Ms. Blom,

On behalf of the Council of Large Public Housing Authorities (CLPHA), we would like to submit the following letter sharing concerns expressed by many of our members regarding the mounting balances of their Tenant Accounts Receivable (TARs). In recent months, our members have reported challenges with protecting their assisted households from evictions while trying to balance HUD’s competing demands to ‘achieve the desired target for tenant rent collection’ as required under the Public Housing Assessment System (PHAS).

The ongoing impact of the COVID-19 pandemic continues to represent a serious threat to the short- and long-term well-being of many vulnerable families in HUD-assisted housing and to the public housing authorities (“PHAs”) that own and manage housing and vouchers for nearly 3.3 million households. We support the nation’s largest and most innovative public housing authorities (PHAs) by advocating for the resources they need to solve local housing challenges.

**Background**

Historically, 3.6 million eviction cases are filed per year in the United States, resulting in 1.5 million annual eviction judgments. However, as much of the U.S. is emerging from the pandemic, the eviction crisis for low-to-moderate income renters is not over. Emergency Rental Assistance (ERA) is running out, rents are soaring, and most of the final local and state eviction moratoriums are ending. Across the six states and 31 cities tracked by Princeton University’s Eviction Lab, landlords filed for more than 10,247 evictions in the last week alone. PHA-assisted households, who are typically extremely low-income and often have disabilities, are particularly vulnerable to homelessness if they are evicted. Additionally, when PHAs terminate assistance, such households not only lose affordable housing but may also become ineligible to return to public housing or receive other types of housing assistance in the future. Therefore, PHAs must balance enforcement of rules and responsible property management with efforts to prevent homelessness.
PHAs Report That Despite Eviction Mitigation Strategies, TARs Balances Are Increasing

CLPHA recently conducted a survey of its members to measure PHAs TARs balances in comparison to pre-pandemic levels and to evaluate local eviction mitigation strategies deployed to prevent a wave of public housing evictions. We found that 90% of the survey respondents reported a TARs balance that is ‘significantly greater’ than pre-pandemic levels. HUD also reported that tenant account receivable rose nationally by about 42 percent from 2020 to 2021. Additionally, all survey respondents have implemented one or more of HUD’s recommended strategies for preventing homelessness after an eviction moratorium expires, including:

- 95% of survey respondents are offering flexible repayment agreement terms
- 90% of survey respondents are conducting direct tenant outreach
- 69% of survey respondents are processing retroactive interim reexaminations
- 57% of survey respondents are applying for Emergency Rental Assistance on behalf of residents behind on rent

In addition to the eviction prevention strategies above, our members have sought out in-kind donations from local community partners and charitable organizations to assist families with rental and utility support payments when federal funding is not available to fill in the gap. Despite these efforts, many CLPHA members are faced with the unfortunate reality that they will be forced to proceed with filing evictions in the coming months. When asked why the eviction mitigation strategies above do not appear to be solving the problem, CLPHA members reported the following major challenges:

Insufficient Emergency Rental Assistance

While many CLPHA members have dedicated substantial staff resources to assist households with applying for ERA, in many areas across the country public housing residents are deprioritized from receiving assistance. For instance, the New York state legislature decided that other low-income renters, who lack the protections that public housing provides its tenants, should receive first priority, thereby locking out public housing residents from receiving ERA to cover rental and utility arrears. Over 84% of CLPHA survey respondents have postponed pending evictions while awaiting ERA payments for public housing residents. As ERA funds are running out, with 71.4% of ERA1 and 31.5% of ERA2 funds approved or paid to households, CLPHA is concerned that public housing residents will be left behind.

In instances that CLPHA members have been successful in receiving ERA to cover rental arrears, ERA payments are limited so that eligible households cannot receive more than 18 months of assistance under ERA1 and ERA2, combined. Because Treasury allows a grantee to provide less than full coverage of arrears, CLPHA members have reported that the sums received are insufficient to cover total rental arrears. Some members also report difficulties in obtaining additional ERA assistance for renters that continue to fall behind on rent. While the job market is recovering for some, many public housing residents continue to struggle to maintain employment stability and are finding themselves unable to keep up with rent despite receiving ERA in the past. Even though ERA guidance stipulates that households may subsequently apply for additional assistance, CLPHA is concerned that ERA administrators will continue to deprioritize public housing residents from receiving additional ERA funds.

Inability to Forgive Rental Debt

Federal regulations require that PHAs cannot forgive rent owed or reduce the amount owed for public housing. According to HUD’s FAQs on ERA released on August 3, 2021, “there is no expressed authority under the U.S. Housing Act (see Section 3(a)(1)) or HUD regulations that would grant a PHA discretion to forgive or reduce a public housing tenants’ rental arrears for rent owed.
“Families participating in the public housing program are statutorily obligated to pay their portion of the rent, and rents are adjusted based on income or at a minimum level established by the PHA.”

Because PHAs are not allowed to forgive rental arrears and their PHAS scoring is heavily dependent on rental collections, PHAs are in the impossible position of choosing between evicting vulnerable residents or receiving low performance scores. While PIH Notice 2022-02 provides a temporary adjustment to the scoring methodology for TAR in an attempt to defray the impact of the eviction moratoria on a PHA’s ability to collect rent and manage rent collection activities, the scoring methodology continues to penalize PHAs that have lower than normal rental collections which may be beyond their control.

High Inflation Exceeds Lower Income Inflation Factors
In 2021, the Department advised that COVID-19 may adversely affect the formula to determine the income inflation factor used to derive public housing operating subsidies. Because HUD uses the average of TTP for the past 5 years to calculate the income inflation factor, lower rental collections will seemingly lower the inflation factor. PHA’s public housing operating subsidies are further depressed because lower inflation factors are not keeping pace with actual inflation rates in the U.S. economy that have surged up to 8 percent. Even though HUD has indicated that the Public Housing Operating Fund this year will exceed 100 percent, we believe PHAs will continue to struggle to adequately maintain operations while tenant rent collections are exceedingly high and inflation factors continue to outpace federal funding.

CLPHA is concerned that despite the extraordinary efforts taken by our members to stave off public housing evictions, PHAs will be forced to move forward with large-scale evictions without regulatory and fiscal relief. We strongly urge HUD to:

- Request supplemental operating funding for PHAs that experience a significant increase in Tenant Accounts Receivable (TARs) due to the COVID-19 pandemic in FY22.
- Increase income inflation factor for CY22 to account for lower rental collections due to the COVID-19 pandemic.
- Waive the MASS Indicator for the TAR Sub-Indicator for PHAS Scoring in FY22.
- Adjust operating fund eligibility for PHAs with significant TARS due to the COVID-19 pandemic.
- Advocate for stronger ERA guidance that gives assisted households greater priority for ERA.

We appreciate your consideration, and we welcome your partnership in addressing these matters to protect our most vulnerable residents.

Sincerely,

Sunia Zaterman
Executive Director, Council of Large Public Housing Authorities