

# Property Management Essentials:

## Section 8 Housing Program

Section 8 is a very well known but misunderstood housing program. Managed by the US Department of Housing and Urban Development this program authorizes the payment of rental housing assistance to private landlords on behalf of approximately 3.1 million low-income households. It operates through several programs, the largest of which, the Housing Choice Voucher Program (HCVP), pays a large portion of the rents and utilities of about 2.1 million households. The Housing Choice Voucher Program provides "tenant-based" rental assistance, so an assisted tenant can move with assistance from one unit of at least minimum housing quality to another. It also allows individuals to apply their monthly voucher towards the purchase of a home, with over \$17 billion going towards such purchases each year (from nchsa.org analysis). The maximum allowed voucher is \$2200 a month.

There are many negative connotations associated with Section 8 around generational entitlements, the quality of people, the destroying of property, etc. While there are some elements of truth to this the Section 8 program helps a lot of quality people that are trying to make better lives for themselves and their families.

### Overview of the Program

There are two types of Section 8 programs: Project-based and Tenant-based. The project based program focuses on buildings that are designated exclusively for Section 8 so the vouchers go with the building versus the person. This report will focus on the Tenant-based voucher program.



The Tenant-based voucher program is usually generated through a lottery. When a tenant is awarded a voucher it enables them to live anywhere in the United States that entitles them to receive a portion of their rent subsidized by the U. S. government because they are considered low income. The government will pay somewhere close to 70% of the month's rent with the tenant paying the remaining balance.

When a tenant moves into a particular geography the rent that is charged is based on "fair market value" for that particular location. The landlord, should they chose to participate in Section 8 housing, cannot charge more than the fair market value for that particular "like" housing. Unlike in the Fair Housing Act where there is no discrimination allowed, here one can chose, by law to exclude if the owner chooses

not to participate in Section 8.

Another important aspect of Section 8 is that, though it's mandated at a federal level it's administered at a local level. Also, there are many different organizations, at the state and local level that run the programs. Take, for instance, Denver, Colorado. Organizations such as the Denver Housing Authority, the Mental Health Center of Denver, the Denver Veterans Administration and the Coalition for the Homeless all have slightly different rules and guidelines in administrating the program.

A landlord participating in the Section 8 program will be presented a housing assistant program voucher from the tenant; otherwise known as a "HAP" contract. Not all HAP contracts read the same based on the particular local organization.



**ECHOSUMMIT**  
PROPERTY MANAGEMENT

### Key Topics

- *Section 8 Program Overview*
- *HAP contracts*
- *The Pros*
- *The Cons*

As a landlord, it is wise to have the same selection criteria for a Section 8 prospect as a Non-Section 8 prospect including background checks, criminal convictions, etc. If the Section 8 prospective tenant doesn't meet the landlords criteria the landlord is under no obligation to accept the tenant.

### **The Pros**

The Section 8 program is a guaranteed form of revenue for the landlord. Depending on circumstance the government could pay up to 100% of the rent. On the tenant-based side of the program there are many rules and requirements the tenant must abide by to stay qualified for the program. If any requirements are not met the tenant could lose their voucher or be evicted by landlord as mandated by the requirements. So the tenants usually take great care to abide by the rules.

Another pro is the program has case workers to assist the tenant to stay on the "straight and narrow" in meeting requirements and help facilitate communication and serve as an advocate for landlord. Lastly, as a landlord, there is no obligation to renew the lease after the term of the contract and no explanation necessary as to why the contract is not being renewed.

### **The Cons**

Tenants that are classified as low income could have many reasons as to why they are that status. They could have challenges including social behavior, economic ability, physical abilities, family dynamics or mental capabilities. It's important to understand that if a landlord chooses to participate in Section 8 they cannot choose which local authority they work and don't work with (e.g. mental health center, VA, housing authority, etc). It's all or nothing. Therefore, this is a broader consideration the landlord must be aware of before they chose to participate in the Section 8 program altogether. As most landlords will tell you good and bad tenants are not defined by whether they are Section 8 or not! The best way to guard against bad tenants is to have a stringent selection process and stick to that regardless of whether or not a prospective tenant is in a government program.

Lastly, people that qualify for Section 8, most likely, also qualify for other government assistance programs. One could be free legal assistance. So, if there is a dispute, they might have free access to legal representation whereby the landlord would not. Another issue is the bureaucratic red tape that a landlord might have to deal with if the tenant doesn't pay their portion of the monthly rent. There are outlined processes that must be followed to obtain restitution. Should the landlord not follow the proper guidelines and processes this could expose them to expensive legal repercussions. This is why it is imperative for a landlord or property management company to be fully away of the guidelines and follow them closely if they chose to participate in the Section 8 program.

For more information on this and other topics, please visit us online: <http://echo-summit.com/education>

If you prefer to watch a video on this topic, visit us at: <http://echo-summit.com/education/videos>