

Rental Housing – Multifamily Management MassHousing’s Rental Voucher Processing Intervention Program

Overview

As any housing finance agency can tell you, fostering a productive working relationship between rental property owners and agency staff is crucial to the success of the agency’s rental management department. Some circumstances are easier than others – but it is a certainty that if an owner perceives that their property is entitled to funds that they believe they have not received, frustration and mistrust are sure to follow. MassHousing has undertaken a new effort over the last year to trouble-shoot problems that owners may experience with voucher processing of Section 8 – and is known as the Voucher Processing Intervention (VPI) Program.

Over the years it has been MassHousing’s observation, both as a lender and as a Section 8 Performance Based Contract Administrator, that there are some rental developments which seem to have a more difficulty than others in submitting the required information to secure the funding reimbursement to which the development is entitled. It became clear that just as in a classroom full of students where no two students’ learning styles and achievement are exactly the same – so too were different levels of assistance required for different properties.

Background

In 1985 MassHousing developed and implemented an automated subsidy and compliance monitoring system for the federal Section 8 Housing Program. This integrated hardware and software voucher processing system reviewed each Section 8 tenant certification submitted by an owner, identified errors, and accurately calculated a monthly subsidy payment amount for each unit as well as the total monthly subsidy to be paid to that development. MassHousing staff then recorded the difference (the disparity) between the payment amounts approved by staff and the payments requested by the owner. The difference is the subsidy “savings.”

Over the past twenty-five years, MassHousing has both enhanced and improved this voucher compliance and monitoring system. Hardware and data storage systems have been updated and in-house software has been replaced with a product from Housing and Development Software (HDS). The HDS system now processes over 200,000 tenant records annually from more than 600 developments comprising 55,000 Section 8 units. Annual Section 8 subsidy paid to owners of these properties totals close to \$594 million. From 1985 through 2009, total Section 8 subsidy “savings” totaled to more than \$23.8 million. Viewed from the owner’s perspective, this difference is a subsidy “receivable” since it is possible for the owner to recapture some or all of this subsidy by providing a corrected tenant certification, correcting an entry, or otherwise correcting the billing error by working with the Agency.

Implementing the “Intervention”

In its continuing effort to improve the Agency’s working relationship with rental housing owners, MassHousing has worked to explore a new avenue over the past year. This is the Agency’s Voucher Processing Intervention (VPI) Program which has been developed to help rental property owners minimize the disparities that result in receivables on their balance sheet.

The VPI is an early warning system that identifies both worrisome trends in billing practices as well as increases in the difference between subsidy billed from a development and subsequent subsidy paid to the development (the receivable). The VPI program builds on the experience gained in working with owners

to correct tenant certification problems, resulting in more accurate billings. Over time, these efforts have been very successful, resulting in a decreasing average (dollar) error rate per unit.

To launch the VPI Program, a staffer was dedicated to coordinate and manage the Program. The VPI Manager works with subsidy administration staff members who are responsible both for determining an accurate subsidy payment for each unit and also for approving monthly voucher payments for their assigned portfolio of developments.

Each quarter a VPI Report is generated for the previous twelve month period which ranks developments by the percentage disparity between subsidy billed and subsidy paid by the Agency. Any disparity of 5% or more for a twelve month period qualifies the development for MassHousing's VPI Program. While the Report also reflects the dollar value of the receivable, this size of the receivable is not used as a selection criterion as doing so would negatively impact the eligibility of smaller size properties. It is important to note that while a disparity of 5% or more for a twelve month period qualifies a development for the Program, an owner may also on its own initiative request that a development be included in the VPI Program. It is possible to make this request even if the property has a disparity of less than 5% but still needs additional Agency resources to cure subsidy payment issues.

Once a property is determined to be eligible, an intensive review is then conducted by the VPI Manager and subsidy administration staff to determine the reason or reasons for the disparity. If the disparity can be easily corrected, the owner is contacted and asked to implement the correction in their next monthly voucher.

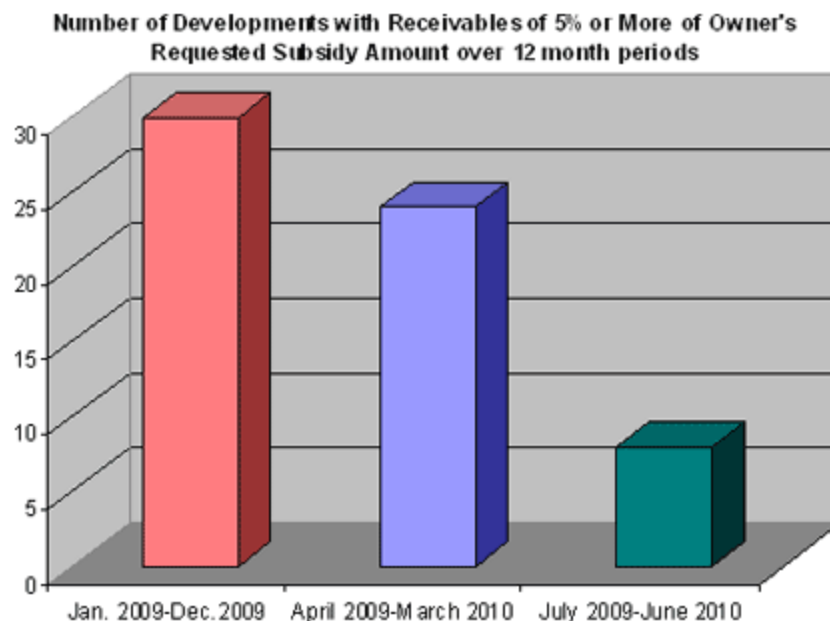
However, if the underlying reasons for the voucher problems are more complex, a Needs Assessment is conducted. This involves a meeting scheduled with the owner and his or her staff to determine the apparent disconnect and areas of concern. During this meeting an Action Plan is developed with the owner/agent. Subsequently, a Commitment Letter is executed by the owner and Agency outlining the responsibilities of each party in correcting the issues at play, goals to be achieved and the term of the Commitment. For example, an owner may agree to obtain more voucher processing training for his or her staff and similarly, the Agency may commit more staff resources to assist the owner to identify tenant certification errors and corrections, leading to retroactive subsidy payments.

The VPI Manager is then assigned oversight responsibility for the development. The goal is to identify subsidy owed to the owner and the steps to be taken by the owner to recapture that subsidy. Accomplishment of the goal is measured by the development dropping below the 5% Program threshold. At this point, the development would no longer require any additional support. Accordingly, the development is then returned to the subsidy administration staff portfolio.

Judging the Results

To date, three quarterly reports have been generated, capturing the period between January 2009 and June 2010 in three 12 month snapshots:

- the first report identified 30 developments with disparities between 5.5 and 35.7%;
- the second report identified 24 developments with disparities between 5.7 and 13.2%; and
- the last report identified 8 developments with disparities between 5.4 and 12.5%.



MassHousing's new program – coupled with the cooperation and active participation of owners – has had some dramatic results. Overall, a 73% improvement has been seen in these developments billing practices reflecting the decrease in developments from 30 to 8. The relative magnitude of the disparity has also decreased from 35.7% to 12.5%, a 65% improvement.

Business Partner Reaction

Participating owners have uniformly praised the Program and its results. Steven Donato of HAP, Inc. reports excellent results for Southampton Elderly Housing. In a letter to MassHousing, Mr. Donato said, “(this) ... is an example of what can happen when people pull together as a team and help each other resolve what could have been a serious problem that could have imposed unnecessary financial hardship on a property that otherwise can run well with effective management. (MassHousing staff members) were all very helpful in guiding us in the right direction to resolve this issue.”

Through MassHousing's VPI Program, owners have seen their subsidy receivables reduced significantly with a concurrent increase in staff expertise and productivity. This was in addition to a reduction in the amount of time that staff was required to expend on tenant certifications and voucher reconciliation. As an added benefit – owners have learned that scarce training resources can be targeted to developments whose site staffs require the most assistance rather than a more costly general training program for all staff. MassHousing staff also benefit as they receive fewer phone calls and emails asking for assistance in resolving payment issues at these properties. Overall, more critical subsidy dollars are funding project budgets in a timely fashion resulting in improved service delivery to the residents.