

Impact

A regulatory impact analysis must accompany every economically significant federal rule or regulation. The Office of Policy Development and Research performs this analysis for all U.S. Department of Housing and Urban Development rules. An impact analysis is a forecast of the annual benefits and costs accruing to all parties, including the taxpayers, from a given regulation. Modeling these benefits and costs involves use of past research findings, application of economic principles, empirical investigation, and professional judgment.

Verification of Eligibility Status: Amendments to Further Implement Provisions of the Housing and Community Development Act of 1980

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Summary of Proposed Rule

On May 10, 2019, the U.S. Department of Housing and Urban Development (HUD) proposed a rule to align its regulations with Section 214 of the Housing and Community Development Act of 1980. Section 214 prohibits the HUD Secretary from making financial assistance available to persons other than U.S. citizens, nationals, or to certain categories of eligible noncitizens in HUD's public and specified assisted housing programs.¹ First, the proposed rule required the verification of the eligible immigration status of all recipients of assistance under a covered program who are under the age of

¹ Adopted as Section 214 (Restriction on Use of Assisted Housing) of the Housing and Community Development Act of 1980, 42 U.S.C. §1436a.

62, including those who are currently living in a mixed family and receiving prorated assistance.^{2,3,4} Second, the proposed rule specified that individuals who are not in eligible immigration status may not serve as the leaseholder, even as part of a mixed family. Third, and most importantly, under the proposed rule, a household would not receive housing assistance unless every member residing in the assisted unit, including those over the age of 62, is of eligible immigration status.⁵ The impact of the rule would have been that some households, especially those previously classified as mixed families, would be denied assistance or simply terminated from a program.

A *qualitative* benefit of the rule is to target housing assistance to eligible households as required by law. When HUD proposed the rule, its leadership maintained that the proposed rule was the most effective method of implementing such a policy, and public comments to HUD's proposed rule provided justifications for not withdrawing assistance from mixed families.

The greatest economic effect of the proposed rule would be a transfer of subsidies from ineligible households (mixed families), which contain some ineligible individuals, to eligible households (non-mixed families), which contain no ineligible individuals.⁶ The estimated size of the aggregate transfer from mixed households currently receiving assistance to the incoming eligible members ranges from \$159 million to \$210 million. This transfer would be an annually recurring transfer. The estimate of the aggregate transfer will remain constant over time as long as there is an even replacement of outgoing mixed families with families where all family members are eligible.

An additional transfer of the rule results from the replacement households requiring a higher subsidy than the mixed families. This situation would occur because the households that would replace mixed families earn less income, on average, and so would receive higher per household subsidies. The aggregate increase in HUD's budget to provide subsidies to the replacement households would range from \$172 million to \$227 million annually. If Congress were to allocate these funds, then the transfer would be from U.S. taxpayers to eligible households. A likelier scenario would be for HUD to serve the replacement households without additional resources. The Federal Government could respond by re-directing resources from other HUD activities to assisted housing. Another possibility would have been for HUD to reduce the quantity and quality of assisted housing in response to the greater funding need per assisted household. In this case, the transfer would be from assisted households who experience a decline in assistance (in whole or in part) to the replacement households. With part of the budget being redirected to cover the increase in subsidy, there would be fewer households served under the Housing Choice Voucher

² HUD already verifies the eligible immigration status of everyone who declares they have eligible immigration status.

³ A "mixed" family is a family that has at least one eligible member, as well as other ineligible members. The words "family" and "household," which consist of *all* members residing in the same housing unit, are used interchangeably in this article.

⁴ Individuals 62 years of age or older, who claim eligible immigration status, are exempted from the immigration status verification requirements (42 U.S.C. 1436a[d][2]). However, aside from proof of age, this proposed rule will require them to submit one of the documents approved by the Department of Homeland Security as acceptable evidence of immigration status.

⁵ Nonfamily members, e.g., live-in aides for elderly families or disabled families and foster children and adults, may still reside in an assisted unit (CFR 982.551[h][4]; HUD Public Housing Occupancy Guidebook). However, they are not required to have verified immigration status (24 CFR 5.508).

⁶ A "transfer" is a zero-sum exchange from one party to another. There is neither a net economic gain nor loss.

program. For public housing, this circumstance would have an impact on the quality of service, e.g., maintenance of the units and possibly deterioration of the units.

The proposed rule would have imposed a one-time upfront fixed cost of transition. Displaced households that would have to search for a new apartment, make a deposit on a new apartment, and then move to the new apartment would be estimated to bear upfront moving costs between \$9.5 million to \$13 million. To enforce the proposed rule, HUD would bear eviction costs between \$3.3 million to \$4.4 million for those households that required more rigorous enforcement of the regulation through a formal eviction.

The proposed rule was never submitted as a final rule.⁷ Instead, the proposed rule was withdrawn by HUD as of April 2, 2021.⁸ HUD determined that the proposed rule was inconsistent with two of President Biden's executive orders: Executive Order 13985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government" and Executive Order 14012, "Restoring Faith in Our Legal Immigration Systems and Strengthening Integration and Inclusion Efforts for New Americans."

Background on Eligibility Status and Household Characteristics

U.S. citizens, U.S. nationals, and some categories of noncitizens are eligible for HUD assistance. Categories of eligible noncitizens include (1) individuals lawfully admitted for permanent residence under the Immigration and Nationality Act (INA); (2) individuals admitted as refugees or under section 207 or those granted asylum under section 208 of the INA; (3) those paroled into the United States under section 212(d)(5) of the INA; and (4) those granted withholding of removal under section 241(b)(3) of the INA.

Under current regulations, when the citizenship status of all members of the household is requested for housing assistance, it is possible for some members to declare themselves ineligible by not contending eligibility status. Housing assistance to a household is not denied for having ineligible member(s) as long as there is at least one family member who is eligible, but it does affect how much assistance a household receives. The rent is adjusted based on the number of household members, the total household income (including the income of ineligible members), the number of eligible members of the household and the type of rent subsidy in the covered unit. For example, a four-person household with one ineligible member would receive 75 percent of what it would receive if every member were eligible.

According to HUD data, approximately 25,000 mixed families have at least one ineligible member (exhibit 1). Among these mixed families, 71 percent of family members are eligible members and 29 percent are ineligible. Of all eligible family members, 73 percent are children (0-17 years old), 25 percent are adults (18-61 years old), and 2 percent are elderly (62 and over). Of all ineligible

⁷ For media coverage of the proposed rule at the time it was submitted, see <https://www.npr.org/2019/05/10/722173775/proposed-rule-could-evict-55-000-children-from-subsidized-housing>, <https://www.washingtonpost.com/business/2019/05/21/house-democrats-grill-hud-secretary-ben-carson-plan-evict-undocumented-immigrants/>.

⁸ <https://www.federalregister.gov/documents/2021/04/02/2021-06758/housing-and-community-development-act-of-1980-verification-of-eligible-status-withdrawal-regulatory>.

members, 5 percent are children, 93 percent are adults, and 2 percent are elderly. Also, most mixed families have three eligible members and one ineligible member. Geographically, 72 percent of mixed families are concentrated in three states—California (37 percent), Texas (23 percent), and New York (12 percent)—the rest are scattered around the country with 3 percent or fewer mixed families per state.

The mixed families receive an aggregate annual subsidy (housing assistance payment, or HAP)⁹ of approximately \$210 million and make tenant payments (“Tenant Rent”) of \$195 million for total rents of \$405 million (HAP + Tenant Rent). The average annual subsidy received by mixed families is about \$1,900 per person (\$210 million/108,000) or \$8,400 per household (\$210 million/25,000). On average, a mixed family has 4.3 household members (108,000/25,000).

Exhibit 1

Section 214 Covered Programs, December 2017

Program Type	HHs	Persons	Mixed Family					
			HHs	Persons			HAP (millions \$)	Tenant Rent (millions \$)
				Eligible	Ineligible	Total*		
Housing Choice Vouchers	2,250,000	5,250,000	12,700	39,900	15,600	55,500	128	106
Section 811	32,500	35,400						
Section 202	123,000	133,000	1	3	0	4	0.002	0.008
Project-Based Housing, Multifamily	1,211,700	2,065,100	3,000	8,700	3,650	12,368	27	22
Public Housing	977,000	2,068,000	9,296	27,500	12,600	40,200	55	67
Section 236	11,200	22,110	22	51	25	82		0.247
Total	4,603,700	9,573,100	25,045	76,100	31,800	108,000	210	195

HAP = Housing Assistance Payment. HHs = households.
 *Total may not add up due to pending verification of eligibility or rounding.
 Source: HUD

Based on the ethnicity¹⁰ of households receiving housing assistance, exhibit 2 shows most mixed families are Hispanic (84 percent). In contrast, non-mixed families are significantly non-Hispanic (81 percent). By household members, the same household composition by ethnicity can be observed. Exhibit 2 summarizes the ethnicity of households.

⁹ HAP, which is the payment by HUD or the Contract Administrator to the owner of an assisted unit as provided in the contract, is the difference between the contract rent and the tenant rent. (24 CFR 880.201)

¹⁰ Ethnicity, which is based on ethnic origin, refers to either “Hispanic or Latino” or “Not Hispanic or Latino.” See OMB Statistical Policy Directive 15, <https://www.govinfo.gov/content/pkg/FR-1997-10-30/pdf/97-28653.pdf>. Data on ethnicity are as of June 2019.

Exhibit 2

Ethnicity of Households (%)

Ethnicity	Non-mixed Family		Mixed Family	
	HH*	Persons	HH*	Persons
Hispanic	17	19	84	85
Non-Hispanic	81	80	16	15

HH = households.

*Based on the ethnicity of the household head.

Note: Total may not add up due to missing data and/or no response given.

Source: HUD

Exhibit 3 presents the geographic concentration of all households (i.e., including both non-mixed families and mixed families) receiving housing assistance across the country. Regardless of the type of household and ethnicity, New York has the highest proportion of households receiving assistance at 12 percent, followed by California at 10 percent, Texas and Ohio at 5 percent each, and Illinois and Pennsylvania at 4 percent each. The rest of the households are distributed around the country with 4 percent or fewer households per state. By ethnicity, for non-mixed families, both Hispanic and non-Hispanic households are concentrated in New York and California. For mixed families, regardless of ethnicity, the households are concentrated in New York, California, and Texas. The rest of the households for both mixed and non-mixed families are distributed around the country with 4 percent or fewer families per state.

Exhibit 3

The Concentration of Assisted Households by Verification and Ethnicity Status (% of U.S. total of that type)

State	All Households*	Non-mixed Family		Mixed Family	
		Hispanic	Non-Hispanic	Hispanic	Non-Hispanic
New York	12	20	10	6	46
California	10	15	9	42	15
Texas	5	10	4	25	4

*Includes both non-mixed and mixed families.

Source: HUD

By average annual income per household, exhibit 4 shows that for non-mixed families, the average income by household and family members is almost the same regardless of ethnicity, at \$14,000 and \$16,000, respectively. For mixed families, however, there is a \$3,000 difference on average for Hispanic and non-Hispanic households and family members, with non-Hispanic households and members earning more.¹¹

¹¹ The difference in household income for mixed families could be explained by households with non-Hispanic heads but with Hispanic members. Note that a household may be composed of all Hispanic members, all non-Hispanic members, or a combination of Hispanic and non-Hispanic members.

Exhibit 4

Average Annual Income

Ethnicity	Non-mixed Family		Mixed Family	
	HH*	Persons	HH*	Persons
Hispanic	\$14,500	\$16,700	\$19,000	\$20,000
Non-Hispanic	\$14,400	\$16,000	\$21,400	\$23,000

HH = households.

*Based on the ethnicity of the household head.

Source: HUD

In terms of the average waiting time to get housing assistance, Hispanic non-mixed families have the longest average waiting time at 28 months compared with 24 months for Hispanic mixed families. For both non-Hispanic non-mixed and mixed families, the average waiting time is the same at 23 months.¹²

Given that mixed families are overwhelmingly Hispanic by ethnicity, if mixed families are denied assistance or simply terminated from a program, as proposed in this rule, Hispanic households would bear a disproportionate burden of the proposed rule.

Benefit of the Proposed Rule

Circular A-4 (September 17, 2003),¹³ which provides guidelines to federal agencies for regulatory review, states that the scope of analysis “should focus on benefits and costs that accrue to citizens and residents of the United States.” Whether there are any benefits to the proposed rule would depend on the definition of resident. If one uses the legal definition of residence, then a qualitative benefit of the rule is to target housing assistance more precisely to eligible individuals. Currently, housing assistance to mixed families is prorated by the fraction of eligible members. However, ineligible members of a mixed family indirectly receive assistance through the subsidy to the entire household. Although the prorated subsidy is less than the full share, a fraction of the subsidy is still greater than none. The authors expect that, in most cases, mixed households would leave assisted housing, making room for different and fully eligible households. In other cases, only the ineligible members of mixed families would leave. Regardless, subsidies would be more directly targeted at fully eligible family members. The amount of the redistribution from ineligible to eligible persons should not be construed as a benefit but as a transfer. Analysts allow the reader to attach a value to the redistribution of housing assistance from ineligible to eligible members. At the time the rule was proposed, HUD’s leadership maintained that the adjustments reflected in this rule would lead to more effective targeting of housing assistance.¹⁴ However, public comments concerning the

¹² Data on waiting time are from HUD’s Public and Indian Housing (PIH) Information Center (PIC)/Tenant Rental Assistance Certification System (TRACS) tenant data systems. <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A4/a-4.pdf>

¹³ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A4/a-4.pdf>

¹⁴ See <https://thehill.com/policy/finance/444791-dems-rip-carson-for-proposal-to-evict-undocumented-immigrants-from-public>

proposed rule demonstrated an overwhelming opposition to withdrawing those HAPs, often stating that the rule conflicts with other federal priorities.

Transfers from the Proposed Rule

There would have been two types of transfers caused by the proposed rule: (1) the exchange of subsidies from mixed families to their replacements, and (2) an increase in the subsidy required for the replacement households. The transfers are annual and are estimated to be between \$159 million to \$210 million and \$172 million to \$227 million in the first year of implementation. The succeeding sections describe the assumptions that were used to estimate the range of transfers, the calculations for the different transfers, and a summary of the results.

Expected Responses by Mixed Families

How mixed families respond would have affected the impacts of HUD's proposed rule. Impacts will increase as more mixed family members lose assistance. The authors assume that most mixed families would have left HUD's assisted housing as a result of this rule. Ineligible members are likely to be undocumented residents and would not want to risk challenging U.S. Customs and Immigration Service (USCIS), regardless of whether their apprehension is well-founded.¹⁵ Some mixed families may be able to retain their eligibility status. For example, some may have pending verification of eligibility status, or there may be inconsistencies in proof of eligibility, which can be resolved. However, as a default, the authors assume that ineligible residents will not be able to produce proof of eligibility. Furthermore, they expect that a fear of the family being separated would prompt the departure of most mixed families.

An alternative to the entire household leaving would be for eligible household members to request that ineligible members exit so that eligible members can stay. Indeed, some charitable and ineligible members may even volunteer to leave if there is a financial benefit for eligible members. Separation would reduce the impact of the proposed rule on transfers away from mixed families (if not the costs). Our estimate of the potential prevalence of the exit of ineligible members is based on the demographic characteristics of households. The authors assume that smaller households consisting of parents and children would stay together. By this assumption, most (76 percent) mixed families would leave assisted housing together. Mixed families that would abandon housing assistance without a challenge include two types of households: households composed of ineligible children and eligible parents (Type 1), which constitute 6 percent of all mixed families; and households composed of eligible children and ineligible parents (Type 2), which constitute 70 percent of all mixed families.

There is another type of household (Type 3) that may pursue a strategy of separation. Larger households including an ineligible adult, who is not a parent, may choose to remain in assisted housing and ask the ineligible and disqualifying adult(s) to leave. In this case, eligible members would retain assistance and ineligible members would be forced to leave. Exhibit 5 summarizes the potential number of households and individuals who could lose housing assistance.

¹⁵ USCIS does not enforce HUD regulations.

Exhibit 5

Potential Range of Effects of Proposed Rule Depending Upon Reaction of Household Members

Types of Mixed Families		Count			HAP (millions \$) ²	Assumed Effect of Proposed Rule
		Households	Members ¹	Share (%)		
Type 1	Households with ineligible children and eligible parents	1,392	6,008	6	12	Lose assistance
Type 2	Households with eligible children and ineligible parents	17,591	75,930	70	147	Lose assistance
Type 3	Households with ineligible “other adults” and eligible immediate family	6,062	26,166	24	51	Continue housing assistance if ineligible members leave the unit
	- Eligible members	---	15,832	---	31	Stay and retain assistance
	- Ineligible other adults	---	10,182	---	20	Leave and lose assistance
Total	All households/ members leave	25,045	108,104	100	210	Aggregate effect over all households
	Only some eligible members stay	18,983	81,938	76	159	Aggregate effect for Types 1 and 2

HAP = Housing Assistance Payment.

¹Includes both eligible and ineligible members of the mixed families.

²Calculated based on the average annual subsidy received per person in a mixed family.

Source: Authors' calculations

For households of Types 1 and 2, housing assistance would be terminated because it is likely that a family with dependent children will prefer to leave the assisted housing as a family rather than separate from one another. These households represent approximately 19,000 mixed families (76 percent of all mixed families). It is possible, but not likely, for Type 2, that an ineligible adult who is a parent would leave the housing unit to preserve housing assistance for other eligible members. Expelling a parent, whether forced or voluntary, is improbable among households whose goal is to maximize the welfare of the family. The economic benefit to a household of children growing in a two-parent household could outweigh the loss of the housing subsidy. Studies on family structure and its implications on child well-being (e.g., economic mobility and cognitive, behavioral, physical, and mental health) show that children growing up in two-parent households fare better, on average, than those in single-parent households.¹⁶ Even if a parent is willing to sacrifice him- or herself for the sake of the household’s continuing receipt of housing assistance, a household would probably suffer a worse outcome by trying to adapt to the new rules than by leaving together. Social preferences such as intergenerational empathy will also play a role in influencing the response of the household.

¹⁶ See, for example, Brown, Manning, and Stykes (2015), Deleire and Loppo, (2010), Hanson and Ooms (1991), and Schulz (2013), among others.

For households of Type 3, housing assistance would be continued only if the ineligible other adults in the households (e.g., children 18 and older, other family members, and distant family relatives like aunts, uncles, and cousins) leave the housing unit and only eligible members remain in the assisted unit. These represent 6,000 mixed households (24 percent). The variation in household behavior will generate a range of the number of households who lose assistance. Some of the Type 3 families will leave together as a unit.

From these assumptions, the authors are able to generate a range of the number of households that would lose housing assistance. The maximum number of households that would lose assistance would be 25,000 (the sum of Types 1, 2, and 3). The minimum number of households losing assistance would be 19,000 (Types 1 and 2). The maximum number of individuals who would lose housing assistance is 108,000 (all members of household Types 1, 2, and 3). The minimum number of individuals who would lose assistance is 82,000 (all members of household Types 1 and 2).

Another plausible scenario is that instead of leaving the unit, ineligible members would remain as undeclared family members, i.e., not explicitly included in the lease. To remain as an unofficial resident would be illegal and difficult in public housing where there is some oversight over tenants but would be easier for voucher-assisted housing for which inspections are limited. This would constitute a violation of lease and tenant rules, behavior that is impossible to predict from HUD's administrative data. The presence of undeclared ineligible members would result in overcrowding of assisted housing.

Estimating the Exchange of Housing Assistance

The proposed rule would have led to a transfer of housing assistance from subsidized mixed families to eligible households and members on the waiting list. Although the transfer would be between similar types of households (both types are certified as low-income), the households are differentiated by the presence of ineligible members. Determining the dollar value of the transfer from ineligible members requires estimating the subsidies that would be withdrawn. The average annual subsidy received by mixed families is about \$1,900 per person (\$210 million/108,000) or \$8,400 per household (\$210 million/25,000). The authors estimated that 82,000 to 108,000 ineligible members could lose assistance, which would lead to a \$159 million to \$210 million transfer of the rental subsidies from mixed families to those with only eligible members (multiplying number of household members by average individual HAP).

To be clear, the authors' estimate of exchange of housing assistance approximates the transfer of economic well-being as measured by dollars. It is not a description of HUD's rules for calculating housing assistance but rather a way of thinking about the economic effect on family members. Currently, an ineligible member gains by being part of a family that receives housing assistance. Although the housing assistance is prorated, the shared nature of housing ensures that every inhabitant will gain from occupying the unit, whether that person was classified by HUD as eligible or ineligible. The impact of the rule would not necessarily be the same for every family member and household. The importance of housing assistance may vary by person and family. Factors such as family members' preferences for housing, family income, and family structure affect the impact of housing assistance on family members' well-being. However, the authors believe that the per-

person dollar amount of housing assistance is a good estimate of the marginal effect (gain or loss) because the housing consumption of households assisted by HUD is near the necessary level.

Estimating the Increase in Subsidy

There could be a budgetary impact from replacing mixed families with non-mixed families if the average replacement household received a different subsidy than was calculated for the mixed family. The budgetary impact would be in addition to the transfer of housing assistance but would occur if and only if there was a transfer of housing assistance from mixed to eligible households. The size of this potential impact of the rule on total HAPs by HUD would depend on the differences between the mixed and replacement households and the method used to calculate the HAP. Also important to keep in mind is that the potential budgetary impact described in this section would not necessarily follow from such a proposed rule. There are other ways that the U.S. government could respond to a change in HAPs.

There are two reasons that the level of assistance per household would be expected to increase. First, the HAP would increase because it would no longer be prorated. The average rate of proration is approximately 70 percent, which would translate to an increase of at least 30 percent of the subsidy received by otherwise identical households (income, household size, and housing type).¹⁷ Second, the HAP would change if any of the characteristics of the replacement households merit a different base subsidy. Because the households would be in the same housing units, neither the household size nor market rent would change. The primary source of change would be from the household income.¹⁸ The average income of a mixed family is \$18,000 and the average income of a non-mixed family is \$14,000; the difference is \$4,000. Because households pay 30 percent of their income, the decline in revenue per household would be \$1,200 annually (30 percent of \$4,000). The change in the HAP from replacing a mixed family with an entirely eligible household can be simplified as:¹⁹

$$\begin{aligned} \Delta \text{ housing assistance payment} \\ &= (1 - \text{proration factor}) \times (\text{HAP to mixed HH}) + 0.3 \times (\text{income of mixed HH} \\ &\quad - \text{income of replacement HH}) \end{aligned}$$

A rough estimate of the total change in the subsidy cost from the two combined effects can be gained by applying the per-person subsidy amounts. The per-person subsidy for mixed families (of both eligible and ineligible) is \$1,900 annually. The per-person subsidy for the non-mixed family is \$4,000. The increase in subsidy per person would be \$2,100. If only 82,000 tenants (all members in Types 1 and 2) were replaced, the aggregate budgetary impact could be \$172 million (82,000 x \$2,100). However, if all 108,000 tenants (all members in mixed families) were replaced, then the aggregate budgetary impact could be as high as \$227 million (108,000 x \$2,100).

¹⁷ The rate of proration for an individual household is given by the number of eligible members divided by the number of total members.

¹⁸ The prorated assistance is computed using the annual income of all family members, including any family member who has not established eligible immigration status, i.e., noncontending members/ineligible members.

¹⁹ The calculation of housing assistance is more complex than shown, the precise details of which can be found in descriptions of HUD's rental assistance programs. See https://www.hud.gov/sites/dfiles/PIH/documents/HCV_Guidebook_Calculating_Rent_and_HAP_Payments.pdf.

It is unlikely that this rule would have resulted in an increased budget for HUD or a transfer from U.S. taxpayers to the replacement households. Housing assistance is not an entitlement and the federal budget for housing was not expected to increase to meet the increased needs of housing authorities that the proposed rule would have created. Instead, it is likely that the higher per household subsidies would be paid for by reducing average spending on housing assistance for all households or reducing the number of households served. The number and quality of public housing units would decline as would any additional resident services provided by housing authorities.

Summary of Transfers

The high estimate of transfers is based on all mixed families losing assistance. The low estimate of transfers is based on mixed families expelling adults who are ineligible nonparents and thus retaining assistance. The aggregate transfer is estimated by multiplying the number of affected persons by the per-person dollar amount. Adding the two types of transfers provides a potential expansion of subsidies to the replacement households. However, the budgetary increase would occur only with additional appropriations from Congress. Otherwise, the transfer to eligible households can be assumed to be restricted to the exchange of housing assistance from mixed families. Exhibit 6 summarizes the annual transfers.

Exhibit 6

Summary of Annual Transfers

Type of Transfer	Individuals Affected		\$ Per Person Affected ³	Aggregate Transfers (\$ Millions)	
	Low Estimate ¹	High Estimate ²		Low Estimate	High Estimate
Exchange of housing assistance from mixed families to replacement	82,000	108,000	1,900	159	210
Increase in subsidy from U.S. taxpayer to eligible, assisted household	82,000	108,000	2,100	172	227
Total transfer to eligible households				328	437

¹Based on the assumption that ineligible and nonparent adults will leave the household.

²Includes all members in mixed families.

³The aggregate transfer for the exchange of housing assistance is based on the aggregate numbers from exhibit 5. Due to rounding in this table, multiplying the \$ per person by the number of individuals will provide slightly different estimates.

Source: Authors' calculations

Costs of the Proposed Rule

Costs are imposed by a policy when resources are devoted to facilitating or enforcing the policy change. Most of the costs of the rule would be upfront costs of adjustment, borne by the households adversely affected. These costs include moving costs, evictions necessary to remove noncompliant households, possibly temporary homelessness for those households that are displaced, and administrative costs.

Moving Costs

The primary cost of the rule would be the economic costs of moving. Although the proposed rule has provisions for easing the burden on mixed families by allowing them time to plan, all of the affected families will have to search for a new apartment, make a deposit on a new apartment, and then move to the new apartment. Assuming that all moves are local and completed without hiring a moving company, the cost of moving will add up to approximately \$500 per household. This cost includes a small truck rental of \$50, three people working 8 hours at \$15/hour, and \$100 of related expenses.²⁰ If only 19,000 mixed families (Types 1 and 2) are affected by the proposed rule, this cost will add up to approximately \$9.5 million (\$500 x 19,000). However, if all 25,000 mixed families are affected, then the cost could reach as high as \$13 million. An intermediary estimate would include the ineligible members of Type 3 households; the adult nonparents who are ineligible will leave so that the rest of the household can continue to receive assistance.²¹ Other costs could include search cost, although public housing authorities (PHAs) expressed a willingness to assist households by providing them access to information.

Eviction Costs

The costs of eviction include both direct legal and indirect social costs. The direct costs would be borne by HUD only for households that challenged the proposed rule.²² Indirect costs would be borne regardless and would stem from displacement. It is not likely that many households including ineligible tenants, especially as adults, would choose to actively protest HUD's decision. Although living in a HUD household is not a basis for removal, there may be a perception among ineligible tenants that there would be a risk of not immediately complying with the proposed regulation. Some areas, cities, and states have strong tenant and immigrant protection policies and advocates. A challenge to the termination may occur in limited cases. Recently, for example, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, makes it unlawful to evict renters living in single-family and multifamily properties financed by federally backed mortgages (i.e., by Fannie, Freddie, and FHA-insured single-family properties) and renters living in federally assisted housing.

HUD would bear the costs for those households that required more rigorous enforcement of the proposed regulation through a formal eviction. Evicting a household incurs many costs. The most direct are court fees, server charge, and eviction services, which may total from \$400 to \$700

²⁰ The average hourly wage of workers in "Transportation and Material Moving" Occupations (53-0000) is approximately \$15 according to the May 2019 the U.S. Bureau of Labor Statistics (BLS) Occupational and Employment Statistics. <https://www.bls.gov/oes/tables.htm>.

²¹ The *number of households* of Type 3 will not be affected; only the *number of members* living in the households and so those existing households will not incur moving costs.

²² Under program regulations and leases, *termination of assistance* occurs when a tenant is no longer eligible for subsidy or to enforce HUD program requirements. *Termination of tenancy* occurs when the owner gives the tenant notice to vacate the unit because of a lease violation(s). When initiating a termination of assistance or tenancy, PHAs and owners are required to follow proper notification and documentation procedures and may only terminate for reasons permitted by HUD. In some cases, regulations give PHAs the discretion to either terminate the household's assistance or to take another action. Public housing residents have a right to the grievance process outlined at 24 CFR Part 966, subpart B, before the PHA seeks a court-ordered eviction. This process allows an informal settlement process and formal hearing if the matter is not resolved through informal means.

per household.²³ Legal fees and new repairs are among the additional costs that would inflate the basic cost of eviction. In a high-cost scenario, for which major repairs are required and a lawyer must be engaged, the cost of an eviction could be as high as \$3,000 per household. Out of 25,000 households, the authors estimated that at most 25 percent will have to be formally evicted.²⁴ Considering the mixed families of Types 1 and 2, the aggregate cost of enforcing the rule would be \$3.3 million ($\$700 \times 4,700$) but could reach \$4.4 million for all mixed families ($\$700 \times 6,250$).²⁵

The cost of eviction on the trajectory of mixed families is not monetized in this analysis but is considered qualitatively. Garboden and Rosen (2019) suggest that, although involuntary relocation is a key driver of residential instability in poor neighborhoods, the implications of eviction in the lives of the poor can be more consequential. The daily threat of eviction has substantial negative impacts for their sense of safety, home, and community. Aside from the immediate negative impacts, Desmond (2012) and Pager (2003) argue that eviction creates an irreversible blemish on their credit history, limiting their chances for long-term economic mobility. Regardless of eligibility, the proposed rule would lead to the displacement of 57,000 children from mixed families. For children, eviction could result in disruptions to academic progress and peer networks and is highly correlated with poor academic achievement and behavioral problems (Garboden, Leventhal, and Newman, 2017; Schwartz, Stiefel, and Cordes, 2016; Ziol-Guest and McKenna, 2014).

Homelessness

Homelessness would be the worst outcome for an evicted household or displaced individual. Although the option of paying the full rent is possible for households who lose their housing vouchers, it would be far from affordable.²⁶ On average, mixed families would have to replace \$1,900 per household member annually. Temporary homelessness could be the result. The costs of homelessness to society can be substantial, arising from the provision of transitional shelters and community supports, emergency services, health care, and the criminal justice system. Some studies have found that the costs associated with homelessness could range from \$20,000 to \$50,000 per person per year.²⁷ This cost is somewhat speculative because the duration of homelessness would depend on the state of the housing market.

Administrative cost

Under the proposed rule, a current participant in a Section 214 covered program (except for Section 235 assistance payments) who had not previously submitted evidence of eligible

²³ HUD (2016).

²⁴ Desmond (2016) estimated that of all evictions, 24 percent are formal evictions.

²⁵ For all mixed families, 4,700 is 25 percent of 25,000 and for Types 1 and 2, 6,250 is 25 percent of 19,000 households. Note that the authors omitted the eviction costs for the ineligible members of household Type 3.

²⁶ A mixed family has more choices than moving to an unsubsidized unit or facing forced eviction. If households could afford the rent, then mixed families in project-based programs would have the option to remain tenants but pay the market rent instead of the subsidized tenant payment. The same option is available for mixed families under the Housing Choice Voucher program. The owner may offer the household a separate, unassisted lease. For mixed families in public housing, the effect of the proposed rule is termination of assistance (and tenancy) and thus, eviction.

²⁷ See, for example, Evans, Sullivan, and Wallskog (2016); National Alliance to End Homelessness (2017); and Spellman et al. (2010).

immigration status would have been required to do so at the first regular reexamination (typically an annual event) after the effective date of the rule becoming final. Recertification would occur regardless of the rule so that HUD expects only minimal administrative costs from being required to reverify all of those who are eligible. Most who are ineligible are unlikely to be able to show eligibility so there will be no additional work for them. However, the turnover of units that is created as a result of the requirement will generate administrative costs.

Summary of Costs

Exhibit 7 summarizes the moving and eviction costs but does not include other important costs such as homelessness and administrative costs.

Exhibit 7

Summary of Upfront Costs* (millions \$)			
	Low Estimate	High Estimate	Range
Moving costs	9.5	13.0	3.5
Eviction costs	3.3	4.4	1.1
Total	12.8	17.4	4.6

**Does not include homelessness and administrative costs.*

Source: Authors' calculations

Discussion

There are many alternatives to the proposed rule that would achieve a similar objective of targeting housing assistance to entirely eligible households but that would not impose as high a burden to mixed families. One alternative would be to grandfather all of the existing mixed families and apply the provisions of this proposed rule to new admissions only. Over time, mixed families would be replaced. With a turnover rate of 10 percent, the number of mixed families would be halved within 7 years. Such an option would fulfill the spirit of the law but avoid the transition costs borne by mixed families. A second alternative would be to continue to provide housing assistance to a subset of mixed families. For example, assistance could be allowed for mixed families with children, regardless of eligibility status, to mitigate the adverse developmental effects of the rule. Under this proposal, the number of mixed households receiving assistance would decline from 25,000 to 19,000.²⁸ A third alternative would be to withhold housing assistance for households where the leaseholder him or herself does not have proof of eligibility. Approximately 17,000 households would be adversely affected by this slightly less burdensome alternative.

The most obvious alternative, and one suggested by many of the public comments to the rule, is to allow PHAs to continue their current practice of prorating housing assistance. These commenters

²⁸ This alternative would also avoid a conflict with Executive Order 13045, "Protection of Children from Environmental Health Risks and Safety Risks."

felt that the proposed rule conflicted with other policy priorities. Exhibit 8 summarizes the reasons given by a sample of the commenters.²⁹

Exhibit 8

Public Sentiment	
Reasons Stated	Percentage of Public Comments Sampled
Will displace families and citizen children	51
Housing upholds human dignity and well-being	36
Will add to the homelessness crisis	30
Violates the rights of legal citizens to deny them housing	23
Conflicts with federal/HUD priorities and values	20
Will add to the affordable housing crisis and strain on local housing authorities	19
Will add to disparities affecting certain communities	15
Will be costly to implement with little or no benefit	12
Will promote fear	11
Will decrease housing quality and/or quantity	4.5
Will lead to difficulties producing legal documents	3.7
Prioritize legal citizens	2.0

Source: Brandel, Bartlett, and Wagner (2019)

Without any additional context, giving precedence to legally recognized residents is not a controversial notion in administering government programs. Most Americans favor legal immigration.³⁰ However, the specific definition of who should be included as a member of society and how they should be treated can be controversial. Recent opinion surveys show divergent attitudes toward illegal immigration.³¹ Thus, if changes to policy were to be made, then striving to minimize the immediate costs of transition is recommended, especially if the policy involves large transfers that can displace certain populations.

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²⁹ Based on 1,262 public comments. The proposed rule received a total of 30,450 comments from the public, 10,794 comments were posted and are available at <https://www.regulations.gov/document?D=HUD-2019-0044-0001>.

³⁰ Newport, Frank, <https://news.gallup.com/opinion/polling-matters/329321/average-american-weighs-immigration.aspx>.

³¹ National Immigration Forum, September 18, 2020, <https://immigrationforum.org/article/polling-update-americans-continue-to-resist-negative-messages-about-immigrants-but-partisan-differences-continue-to-grow/>.

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