Potential Program Design for Direct Rental Assistance

HUD is interested in learning whether the Housing Choice Voucher (HCV) program could be improved by providing housing subsidies directly to eligible renters rather than to their landlords. This Direct Rental Assistance (DRA) model would be similar to the housing allowance concept that influenced — but was not adopted into — the original Section 8 program in 1974. Relative to the HCV program, DRA could reduce administrative burden, empower assisted households, and limit rental inflation by reinforcing positive market forces.

While there are multiple ways to design a DRA program, HUD envisions a model with the following key features:

- Households selected from existing voucher waitlists would be offered the opportunity to receive either a traditional voucher (funded by HUD) or a monthly payment for the equivalent value of the voucher (funded by philanthropy).
- Households selecting the DRA subsidy would receive funds by direct deposit from a public housing agency (PHA) or similar entity. Each household would then be responsible for paying the full rent to their landlord.
- PHAs would calculate the DRA subsidy using a method similar to the one used for the HCV subsidy. The PHA would subtract the tenant's contribution (30 percent of their income) from a rent standard (such as the Fair Market Rent). The DRA subsidy would be capped at the gross rent for the DRA recipient's chosen unit. This subsidy calculation would ensure that the assistance is aligned with the recipients' housing needs while also empowering and incentivizing them to select less expensive housing.
- The PHA would measure household income and calculate the tenant total payment (TTP) at enrollment and again every 2 years thereafter. During that 2-year reexamination period, the TTP would not increase, but households could request an interim reexamination if their income declines. Biennial income reexaminations should reduce administrative burden and encourage households to increase their earnings.
- DRA would limit interactions between the landlord and the PHA. There would be no Housing Assistance Payment (HAP) contract between the landlord and the PHA. The tenant would bear primary responsibility for inspecting the unit and assessing housing quality using a PHA-provided checklist. After the tenant moves into a unit, the PHA could coordinate with the tenant to arrange a remote video inspection or conduct a full in-person inspection.
- DRA recipients would be required to provide the PHA with a copy of their lease. To remain eligible for the program, they must notify the PHA before moving. If their gross rent changes, the PHA will recalculate their DRA subsidy.

To maximize the learning potential of a DRA pilot, we must compare DRA with HCV. Eligible households should be drawn from a PHA waiting list, invited to enroll in the study, then randomly assigned to enroll in either DRA or HCV. The PHA and funder should work with a research team to facilitate enrollment and random assignment. Researchers should compare households in the DRA and HCV groups on key outcomes, such as success in finding a unit and utilizing the subsidy, degree of rent burden, housing stability, housing quality, neighborhood quality, and degree of self-sufficiency (such as, their earnings). Although many of these outcomes should manifest within a year or two, the pilot ideally would last up to 4 years. At the end of the pilot, the PHA should ensure that DRA recipients receive a voucher (if still eligible).