

**GAO**

Testimony

Before the Subcommittee on Housing and  
Community Opportunity, Committee on  
Financial Services, House of  
Representatives

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## RENTAL HOUSING

# Information on Low-Income Veterans' Housing Conditions and Participation in HUD's Programs

Statement of David G. Wood, Director  
Financial Markets and Community Investment



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# Highlights

Highlights of [GAO-08-324T](#), a testimony before the Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives

## Why GAO Did This Study

Veterans returning from service in Iraq and Afghanistan could increase demand for affordable rental housing. Households with low incomes (80 percent or less of the area median income) generally are eligible to receive rental assistance from the Department of Housing and Urban Development's (HUD) housing choice voucher, public housing, and project-based programs. However, because rental assistance is not an entitlement, not all who are eligible receive assistance.

This testimony, based on a 2007 report, discusses (1) the income status and demographic and housing characteristics of veteran renter households, (2) how HUD's rental assistance programs treat veteran status (whether a person is a veteran or not) and whether they use a veteran's preference, and (3) the extent to which HUD's rental assistance programs served veterans in fiscal year 2005.

The 2007 report discussed in this testimony made no recommendations.

## RENTAL HOUSING

### Information on Low-Income Veterans' Housing Conditions and Participation in HUD's Programs

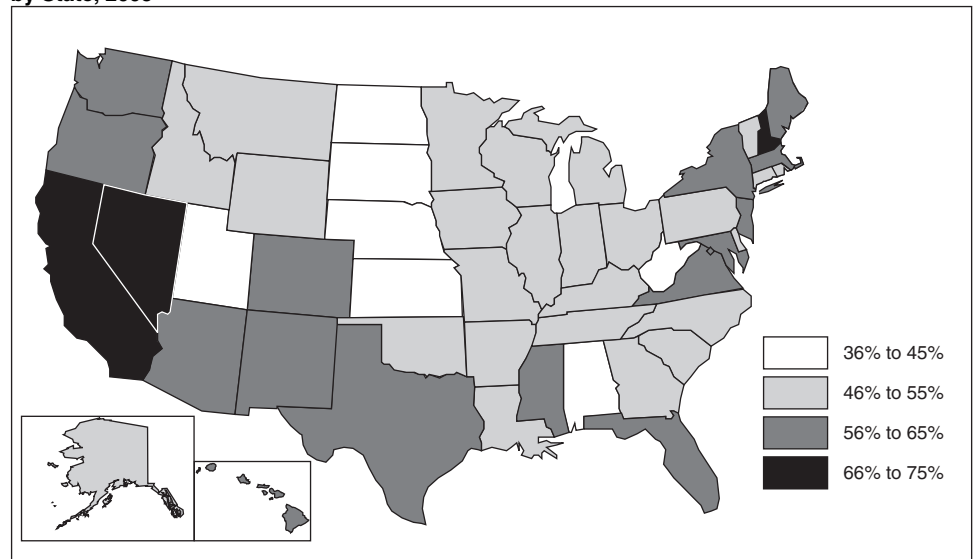
#### What GAO Found

In 2005, an estimated 2.3 million veteran renter households had low incomes. The proportion of veteran renter households that were low income varied by state but did not fall below 41 percent. Further, an estimated 1.3 million, or about 56 percent of these low-income veteran households nationwide, had housing affordability problems—that is, rental costs exceeding 30 percent of household income (see map for state percentages). Compared with other (nonveteran) renter households, however, veterans were somewhat less likely to be low income or have housing affordability problems.

HUD's major rental assistance programs are not required to take a household's veteran status into account when determining eligibility and calculating subsidy amounts, but eligible veterans can receive assistance. The majority of the 41 largest public housing agencies that administer the housing choice voucher or public housing programs had no veterans' preference for admission. The 13 largest performance-based contract administrators that oversaw most properties under project-based programs reported that owners generally did not adopt a veterans' preference.

In fiscal year 2005, an estimated 11 percent of all eligible low-income veteran households (at least 250,000) received assistance, compared with 19 percent of nonveteran households. Although the reasons for the difference are unclear, factors such as differing levels of need for affordable housing among veteran and other households could influence the percentages.

**Percentage of Low-Income Veteran Renter Households with Housing Affordability Problems, by State, 2005**



Sources: GAO analysis of sample survey data from 2005 American Community Survey; Art Explosion (map).

To view the full product, including the scope and methodology, click on [GAO-08-324T](#). For more information, contact David G. Wood at (202) 512-8678 or [woodd@gao.gov](mailto:woodd@gao.gov).

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Madam Chairwoman and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss our work on the housing conditions of veterans with low incomes and their participation in HUD's rental assistance programs. As you know, disproportionately large numbers of military veterans have appeared among the homeless population in recent years, raising concerns about the incomes and housing conditions of veterans who rent, rather than own, their homes. According to the Department of Veterans Affairs (VA), on any given night at least 194,000 veterans were homeless in fiscal year 2005—about one-third of the adult homeless population—and many veteran renters could be on the verge of homelessness if they have low incomes or precarious living conditions in overcrowded or substandard housing.<sup>1</sup> The return of more veterans from service in Iraq and Afghanistan—some with significant physical and psychological challenges—could increase demand for affordable housing with supportive services such as mental health and substance abuse treatment.

The Department of Housing and Urban Development (HUD) is the primary federal provider of rental housing assistance through its housing choice voucher, public housing, and project-based programs. Vouchers assist households in paying rent for units of their choice in the private market, while public housing and project-based programs assist households by subsidizing the rents of specifically designated units. These programs generally serve low-income households—those with incomes that are 80 percent or less of their local area median incomes. However, because the rental assistance programs are not entitlement programs—the extent of assistance is limited by the amount of appropriated funds—not all renter households that are eligible receive assistance. My testimony refers to households that do not receive rental assistance as “unassisted.”

My statement is based on our August 2007 report, *Rental Housing: Information on Low-Income Veterans' Housing Conditions and Participation in HUD's Programs*.<sup>2</sup> Specifically, my statement discusses (1)

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<sup>1</sup>We use the Bureau of the Census's definition of a veteran: generally, a person who is 18 years of age or older and has served on active duty in the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard in the past, but is no longer on active duty. Persons who have served in the National Guard or Military Reserves are classified as veterans only if they have been called or ordered to active duty.

<sup>2</sup>[GAO-07-1012](#). This report was mandated by the conference report accompanying the Fiscal Year 2006 Military Quality of Life and Veterans Affairs Appropriations Act.

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the income status and demographic and housing characteristics of veteran renter households; (2) how HUD's rental assistance programs treat veteran status (that is, whether a person is a veteran or not) and veteran-specific benefits in determining eligibility and subsidy amounts; (3) the extent to which public housing agencies and property owners—third parties who administer rental assistance programs on HUD's behalf—establish veterans' preferences in their administrative and tenant selection plans; and (4) the extent to which HUD's rental assistance programs served veteran households in fiscal year 2005.

In preparing our recent report, we analyzed data from the Bureau of the Census' (Census) 2005 American Community Survey (ACS) on the income status and demographic and housing characteristics of veteran households. Using income categories established by HUD for calendar year 2005, we estimated the number of veteran households in the ACS with incomes that were low (80 percent or less of the area median income), very low (50 percent or less of the area median income), and extremely low (30 percent or less of the area median income).<sup>3</sup> We also used information on veteran households in ACS to describe certain demographic characteristics, and the cost and quality of their housing.<sup>4</sup> To determine how HUD's rental assistance programs treat a household's veteran status (that is, whether the household includes a veteran or not) in determining eligibility and subsidy amounts, we reviewed HUD's eligibility policies and regulations on rental assistance programs and interviewed officials from HUD and VA. To determine whether public housing agencies and property owners participating in HUD's programs have established a veterans' preference for households, we interviewed officials from the 41 largest agencies that administer the public housing program and/or the voucher program, and from the 13 largest performance-based contract administrators that oversee property management under project-based rental assistance programs.<sup>5</sup> Information on preferences, however, is not statistically generalizable to the other public housing agencies and

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<sup>3</sup>Not included in the 2005 ACS survey universe are individuals who live in group quarters—which include college dormitories, correctional facilities, and certain types of nursing facilities and hospitals—or homeless individuals.

<sup>4</sup>Unless otherwise noted, all reported numeric estimates derived from ACS are subject to sampling errors of plus or minus 10 percent or less of the value of those numeric estimates.

<sup>5</sup>We contacted or visited 41 different public housing agencies. Of these, 33 administered both the public housing and voucher programs, 7 administered the voucher program only, and 1 administered the public housing program only. Nationwide, there are more than 4,000 public housing agencies.

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property owners. Finally, to determine the extent to which HUD's rental assistance programs served veteran households in fiscal year 2005, we matched data from HUD on program participants with data from VA on living veterans and used these matched data to estimate the percentage of low-income veteran renter households that received HUD assistance. For all of our research objectives, we consulted with officials from various housing and veteran groups. We conducted our work in Atlanta, Boston, Chicago, Los Angeles, and Washington, D.C., from March 2006 through July 2007 in accordance with generally accepted government auditing standards.

In brief, we found the following:

In 2005, an estimated 2.3 million veteran renter households, or about 53 percent of all veteran renter households nationwide, were low income (their household incomes were 80 percent or less of their areas' median household incomes), and more than half of these low-income households had problems affording their rent. The number of low-income veteran renter households varied considerably by state, from a high of 236,000 in California (representing 10 percent of all low-income veteran renters nationwide) to less than 6,000 in Wyoming. While the percentages of renter households that were low-income varied by state, in no state did the proportion fall below 41 percent. In terms of demographic characteristics, we found the following:

- More than one-third of low-income veteran renter households included a veteran who was elderly or had a disability.<sup>6</sup>
- An estimated 1.3 million, or about 56 percent of low-income veteran renter households, had housing affordability problems—that is, their rental costs exceeded 30 percent of their household incomes. The extent of housing affordability problems varied significantly by state. For example, Nevada had the highest percentage of low-income veteran renters with affordability problems (about 70 percent), while North Dakota had the lowest percentage (about 37 percent).
- Nationally, a small percentage (less than 3 percent) of low-income veteran renters lived in overcrowded or inadequate housing.

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<sup>6</sup>In this testimony, we consider a veteran renter household to be elderly if at least one veteran member was 62 years or older. A veteran renter household with a disability contains at least one veteran member with a disability as defined by Census.

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Finally, in general, veteran renter households were less likely to be low-income, have affordability problems, or live in overcrowded or inadequate housing than were other (nonveteran) households.

HUD's major rental assistance programs are not required to take a household's veteran status into account when determining eligibility and calculating subsidy amounts, but eligible veterans can receive assistance. HUD is not required to collect, and does not collect, any information that identifies the veteran status of assisted households. When determining income eligibility and subsidy amounts, HUD generally does not distinguish between income sources that are specific to veterans, such as VA-provided benefits, and other sources of income; rather, HUD takes into account the type of income, such as whether it is recurring or not. Finally, although HUD rental assistance programs generally do not target veterans, HUD allocated about 1,800 vouchers in the early 1990s for placing formerly homeless veterans with severe psychiatric or substance abuse disorders into affordable rental housing, but usage of these vouchers has been declining—as of the end of fiscal year 2006, about 1,000 vouchers remained in use.

The majority of the 41 largest public housing agencies we contacted have no veterans' preference for admission to their public housing or voucher programs, and all of the 13 largest performance-based contract administrators we contacted told us that owners of project-based properties that they oversee generally do not have a veterans' preference. Specifically, according to our interviews with 34 of the largest housing agencies that administer public housing programs, 14 (about 41 percent) offered a veterans' preference in fiscal year 2006, and 13 of the 40 largest agencies (about 33 percent) that administer the housing choice voucher program offered a veterans' preference. Officials from all of the 13 largest contract administrators told us that owners of project-based properties that they oversee generally do not employ a veterans' preference when selecting tenants.

Low-income veteran households were less likely to receive HUD rental assistance than other low-income households (that is, nonveteran households). Specifically, of all low-income veteran households, an estimated 11 percent received HUD rental assistance in fiscal year 2005, whereas an estimated 19 percent of other low-income households received assistance. Although the reasons for the difference are unclear, based on our analyses and discussions with HUD officials, various factors could influence the percentage of eligible veteran households that receive HUD rental assistance—for example, different levels of need for affordable

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housing among veteran and other households and public housing agencies' and property owners' use of veterans' preference. In fiscal year 2005, at least 250,000 low-income veteran households received rental assistance under HUD's programs—representing about 6 percent of all households that received such assistance. Compared with other (nonveteran) assisted households, veteran assisted households were as likely to be elderly but were more likely to have a disability.

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## Background

According to Census data, in 2005 an estimated 21.9 million households, or 20 percent of the 111.1 million households nationwide, were “veteran households”—that is, they had at least one member who was a military veteran. Most veteran households—about 80 percent—owned their own homes, a significantly higher percentage than was the case for other (nonveteran) households (about 64 percent). About 4.3 million veteran households rented their homes. Census data also show that renter households were more likely to be low-income than were owner-occupied households; in 2005, about 66 percent of renter households were low-income while 32 percent of homeowners were low-income.

VA, through a variety of programs, provides federal assistance to veterans who are homeless, and also provides homeownership assistance, but does not provide rental assistance. One of the agency's largest programs for homeless veterans is the Homeless Providers Grant and Per Diem program, which provides funding to nonprofit and public agencies to help temporarily shelter veterans. VA also administers eight other programs for outreach and treatment of homeless veterans.<sup>7</sup> In addition to its homelessness programs, VA provides a variety of programs, services, and benefits to veterans and their families.<sup>8</sup>

HUD provides rental housing assistance through three major programs—housing choice voucher, public housing, and project-based. In fiscal year 2005, these programs provided rental assistance to about 4.8 million households and paid about \$28 billion in rental subsidies. These three programs generally serve low-income households—that is, households with incomes less than or equal to 80 percent of their local area median

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<sup>7</sup>See GAO, *Homeless Veterans Programs: Improved Communications and Follow-up Could Further Enhance the Grant and Per Diem Program*, [GAO-06-859](#) (Washington, D.C.: Sept. 11, 2006).

<sup>8</sup>U.S.C. Title 38, Part II General Benefits, and Part III Readjustment and Related Benefits.

incomes. Most of these programs have targets for households with extremely low incomes—30 percent or less of their area median incomes. HUD-assisted households generally pay 30 percent of their monthly income, after certain adjustments, toward their unit’s rent.<sup>9</sup> HUD pays the difference between the household’s contribution and the unit’s rent (under the voucher and project-based programs) and the difference between the public housing agencies’ operating costs and rental receipts for public housing.

## More Than Half of Low-Income Veteran Renter Households Had Housing Affordability Problems

According to our analysis of ACS data, of the 4.3 million veteran households that rented their homes, an estimated 2.3 million, or about 53 percent were low-income in 2005. As shown in table 1, the largest share of these 2.3 million households was concentrated in the highest low-income category—that is, 50.1 to 80 percent of the area median income—with somewhat smaller shares in the two lower categories. The table also shows that other renter households (that is, households without a veteran member) were even more likely to be low-income than veteran renter households.

**Table 1: Veteran and Other Renter Households, by Income Category, 2005**

Income category (as a percentage of the area median income)	Veteran household		Other household	
	Number	Percentage	Number	Percentage
All low income (80% or less)	2,282,720	53%	22,012,930	68%
50.1 to 80%	966,865	22	6,774,065	21
30.1 to 50%	674,085	16	6,101,435	19
30% or less	641,770	15	9,137,430	28
Not low income (greater than 80%)	2,023,755	47	10,452,230	32
<b>Total renter households</b>	<b>4,306,475</b>	<b>100%</b>	<b>32,465,160</b>	<b>100%</b>

Source: GAO analysis of sample survey data from 2005 ACS.

<sup>9</sup>A tenant’s rent is based on a family’s anticipated gross annual income—that is, income from all sources received by the family head, spouse, and each additional family member who is 18 years of age or older, less applicable exclusions and deductions. There are 44 different types of income exclusions and deductions.



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The estimated numbers of low-income veteran renter households in 2005 varied greatly by state, from some 236,000 in California—the most of any state—to less than 6,000 in each of 3 states—Delaware, Vermont, and Wyoming.<sup>10</sup> The percentages of veteran renter households that were low-income in 2005 also varied considerably by state, from about 65 percent in Michigan to about 41 percent in Virginia. Further details on how these figures varied by state, including maps, can be found in appendix I. In addition, a significant proportion of low-income veteran renter households included a veteran who was elderly or had a disability. Specifically, an estimated 816,000 (36 percent of these veteran households) had at least one veteran who was elderly (that is, 62 years of age or older); and 887,000 (39 percent) had at least one veteran member with a disability.

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## More Than Half of Low-Income Veteran Renters Had Problems Affording Their Rents

According to our analysis of ACS data, an estimated 1.3 million low-income veteran households, or about 56 percent of the approximate 2.3 million such households, had rents that exceeded 30 percent of their household income in 2005 (see table 2). These veteran renter households had what HUD terms “moderate” or “severe” problems affording their rent.<sup>11</sup> Specifically, about 31 percent of low-income veteran renter households had moderate affordability problems, and about 26 percent had severe affordability problems. The remainder either paid 30 percent or less of their household income in rent, reported zero income, or did not pay cash rent. In comparison, a higher proportion of other low-income renter households had moderate or severe housing affordability problems.

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<sup>10</sup>Estimates derived from the ACS, like all survey data, contain sampling errors (that is, such estimates would be different if the survey had selected another sample). Since each sample could have provided different estimates, we express our confidence in the precision of this sample’s results as 90 percent confidence intervals. We express this type of error as a margin of error, which is the difference between an estimate and its upper or lower confidence interval, and we express the margin of error as a percentage. The margins of errors were larger for Vermont, Delaware, and Wyoming (exceeding plus or minus 20 percent) than those for the other states because of the relatively small sample size used to derive the estimates (see app. II in [GAO-07-1012](#) for margins of error for each state and the District of Columbia).

<sup>11</sup>HUD classifies a housing affordability problem as “moderate” if housing costs are between 30.1 percent and 50 percent of household income and “severe” if housing costs are more than 50 percent.

**Table 2: Housing Affordability for Low-Income Renter Households, 2005**

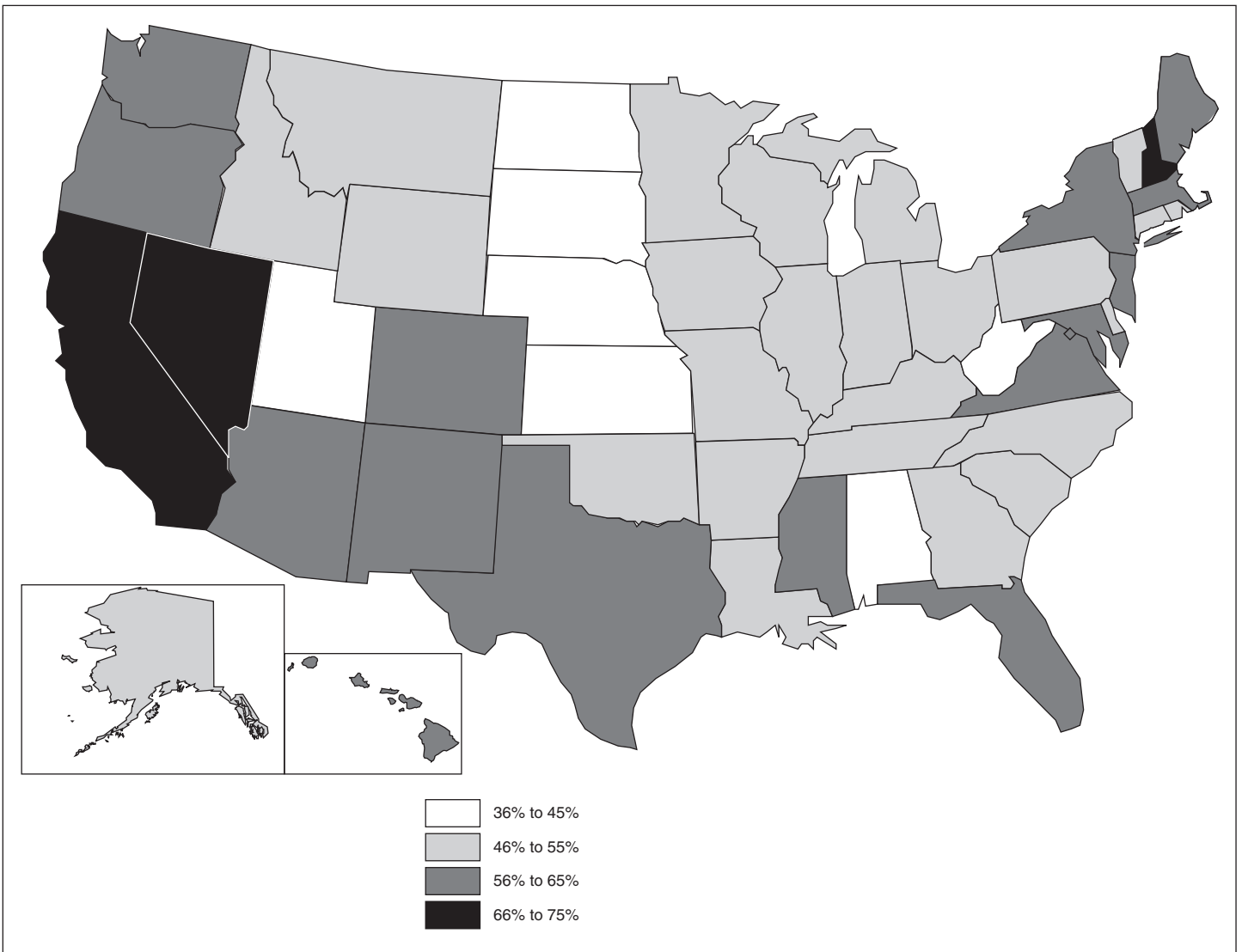
Affordability category	Veteran household		Other household	
	Number	Percentage	Number	Percentage
Affordability problem	1,284,540	56%	13,855,530	63%
Moderate	699,470	31	6,260,495	28
Severe	585,070	26	7,595,035	35
No affordability problem	763,640	33	6,264,690	28
Zero income/no cash rent	234,535	10	1,892,710	9
<b>Total</b>	<b>2,282,720</b>	<b>100%</b>	<b>22,012,930</b>	<b>100%</b>

Source: GAO analysis of sample survey data from 2005 ACS.

Note: Totals may not add due to rounding.

The extent of housing affordability problems among low-income veteran renter households varied significantly by state in 2005 (see fig. 1). The median percentage of low-income veteran renters with affordability problems nationwide was 54 percent. California and Nevada had the highest proportions of affordability problems among low-income veteran renter households—about 68 and 70 percent, respectively. North Dakota and Nebraska had the smallest—about 37 and 41 percent, respectively.

**Figure 1: Percentage of Low-Income Veteran Renter Households with Housing Affordability Problems, by State, 2005**



Sources: GAO analysis of sample survey data from 2005 ACS; Art Explosion (map).

Note: Three states and the District of Columbia had margins of error of more than 10 percentage points.

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## Small Percentage of Low-Income Veteran Renter Households Lived in Overcrowded or Inadequate Housing

A relatively small percentage of veteran households lived in overcrowded or inadequate housing in 2005. Specifically, an estimated 73,000, or 3 percent, of low-income veteran renter households lived in overcrowded housing—housing with more than one person per room—and less than 18,000, or about 1 percent, lived in severely overcrowded housing—housing with more than one and a half persons per room.<sup>12</sup> In contrast, an estimated 1.5 million, or 7 percent, of other low-income renter households lived in overcrowded housing, and about 423,000, or 2 percent, lived in severely overcrowded housing.

Finally, ACS data indicate that a very small share of low-income veteran renters lived in inadequate housing. ACS provides very limited information about the quality of the housing unit; the survey classifies a unit as inadequate if it lacks complete plumbing or kitchen facilities, or both.<sup>13</sup> In 2005, an estimated 53,000, or 2 percent, of low-income veteran renter households lived in inadequate housing. In comparison, an estimated 334,000, or 2 percent, of other households lived in inadequate housing.

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## HUD Rental Assistance Programs Do Not Take Veteran Status into Account When Determining Eligibility or Subsidy Amounts

HUD's major rental assistance programs are not required to take a household's veteran status into account when determining eligibility and calculating subsidy amounts. (Consequently, HUD does not collect any information that identifies the veteran status of assisted households.) As with other households, veterans can benefit from HUD rental assistance provided that they meet all of the programs' income and other eligibility criteria. For example, assisted households must meet U.S. citizenship requirements and, for some of the rental assistance programs, HUD's criteria for an elderly household or a household with a disability.

When determining income eligibility and subsidy amounts, HUD generally does not distinguish between income sources that are specific to veterans, such as VA-provided benefits, and other types of income. HUD policies define household income as the anticipated gross annual income of the household, which includes income from all sources received by the family

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<sup>12</sup>HUD's regulation defines housing overcrowding as a housing unit with 1.01 or more persons per room (see 24 C.F.R. 791.402) but does not provide a definition for severe overcrowding. The measure of severe overcrowding to which we refer in this report (1.51 or more persons per room) is commonly used for statistical reporting purposes.

<sup>13</sup>According to ACS, a housing unit has complete plumbing if it has (1) hot and cold piped water, (2) a flush toilet, and (3) a bathtub or shower and complete kitchen facilities if it has (1) a sink with piped water, (2) a stove or range, and (3) a refrigerator.

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head, spouse, and each additional family member who is 18 years of age or older. Specifically, annual income includes, but is not limited to, wages and salaries, periodic amounts from pensions or death benefits, and unemployment and disability compensation.<sup>14</sup> HUD policies identify 39 separate income sources and benefits that are excluded when determining eligibility and subsidy amounts. These exclusions relate to income that is nonrecurring or sporadic in nature, health care benefits, student financial aid, and assistance from certain employment training and economic self-sufficiency programs.<sup>15</sup>

We found that, based on HUD's policies on income exclusions, most types of income and benefits that veteran households receive from VA would be excluded when determining eligibility for HUD's programs and subsidy amounts. Many of the excluded benefits relate to payments that veteran households receive under certain economic self-sufficiency programs or nonrecurring payments such as insurance claims. Of the benefits included, most are associated with recurring or regular sources of income, such as disability compensation, pensions, and survivor death benefits.

Of the 39 exclusions, we found that two income exclusions specifically applied to certain veteran households but, according to HUD, these exclusions are rarely used. These income exclusions are (1) payments made to Vietnam War-era veterans from the Agent Orange Settlement Fund and (2) payments to children of Vietnam War-era veterans who suffer from spina bifida. The two exclusions are identified in federal statutes that are separate from those authorizing the three major rental assistance programs.<sup>16</sup>

HUD does provide rental assistance vouchers specifically to veterans under a small program called the Housing and Urban Development-Veterans Affairs Supportive Housing program (HUD-VASH). Established in 1992, HUD-VASH is jointly funded by HUD and VA and offers homeless veterans an opportunity to obtain permanent housing, as well as ongoing

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<sup>14</sup>24 C.F.R. 5.609.

<sup>15</sup>In addition to these 39 income exclusions, program administrators must also apply five income deductions to determine the household's adjusted income—that is, the amount of income used to calculate the household's rental contribution, which include standard amounts for each dependent and for elderly family members and those with disabilities. See 24 C.F.R. 5.611.

<sup>16</sup>Pub. L. Nos. 101-201 and 104-204.

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case management and supportive services. HUD allocated these special vouchers to selected public housing agencies that had applied for funding, and VA was responsible for identifying participants based on specific eligibility criteria, including the veteran's need for treatment of a mental illness or substance abuse disorder.<sup>17</sup> Under the HUD-VASH initiative, HUD allocated 1,753 vouchers from fiscal years 1992 through 1994. HUD funded these vouchers for 5 years and, if a veteran left the program during this period, the housing agency had to reissue the voucher to another eligible veteran.<sup>18</sup> According to VA officials, after the 5-year period ended, housing agencies had the option of continuing to use their allocation of vouchers for HUD-VASH, or could discontinue participation whenever a veteran left the program (that is, the housing agency would not provide the voucher to another eligible veteran upon turnover). VA stated that after the 5-year period ended, many housing agencies decided not to continue in HUD-VASH after assisted veterans left the program; instead, housing agencies exercised the option of providing these vouchers to other households under the housing choice voucher program.<sup>19</sup> As a result, the number of veterans that receive HUD-VASH vouchers has declined. Based on information from VA, about 1,000 veterans were in the program as of the end of fiscal year 2006, and absent any policy changes, this number is likely to decline to 400 because housing agencies responsible for more than 600 vouchers have decided not to continue providing these vouchers to other veterans as existing participants leave the program.

Congress statutorily authorized HUD-VASH as part of the Homeless Veterans Comprehensive Assistance Act of 2001.<sup>20</sup> Under the act, Congress also authorized HUD to allocate 500 vouchers each fiscal year from 2003 through 2006—a total of 2,000 additional vouchers. In December 2006, Congress extended this authorization through fiscal year 2011—allocating an additional 2,500 vouchers or 500 each year. However, HUD has not

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<sup>17</sup>The veteran also must meet HUD's eligibility requirements for the housing choice voucher program.

<sup>18</sup>HUD Notices of Funding Availability for the Section 8 Set-Aside for Homeless Veterans with Severe Psychiatric or Substance Abuse Disorders, Fiscal Years 1992, 1993, and 1994.

<sup>19</sup>According to the VA, veterans receiving HUD-VASH vouchers may leave the program because, for example, they no longer need or qualify for assistance.

<sup>20</sup>Pub. L. No. 107-95.

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requested, and Congress has not appropriated, funds for any of the vouchers authorized from fiscal years 2003 through 2007.<sup>21</sup>

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## Most Contacted Housing Agencies and Owners of Project-Based Properties Did Not Offer Veterans' Preference for Admission to HUD's Rental Assistance Programs

Currently, HUD's policies give public housing agencies and owners of project-based properties the discretion to establish preferences for certain groups when selecting households for housing assistance. Preferences affect only the order of applicants on a waiting list for assistance; they do not determine eligibility for housing assistance. Before 1998, federal law required housing agencies and property owners to offer a preference to eligible applicants to their subsidized housing programs who (1) had been involuntarily displaced, (2) were living in substandard housing, or (3) were paying more than half their income for rent. Public housing agencies were required by law to allocate at least 50 percent of their public housing units and 90 percent of their housing choice vouchers to applicants who met these criteria. Similarly, project-based owners had to allocate 70 percent of their units to newly admitted households that met these criteria. The Quality Housing and Work Responsibility Act of 1998 (QHWRA) gave more flexibility to housing agencies and project-based property owners to administer their programs, in part by eliminating the mandated housing preferences.<sup>22</sup> Although it gave housing agencies and owners more flexibility, QHWRA required that public housing agencies and owners target assistance to extremely low-income households.<sup>23</sup>

Under QHWRA, housing agencies and owners of project-based properties may, but are not required to, establish preferences to better direct resources to those with the greatest housing needs in their areas. Public housing agencies can select applicants on the basis of local preferences

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<sup>21</sup>Recently, the HUD fiscal year 2008 appropriations bill, H.R. 3074, contains \$75 million for the HUD-VASH program. The vouchers funded by the appropriation are to remain available for homeless veterans upon turnover. The House recently adopted the conference report accompanying H.R. 3074.

<sup>22</sup>The use of the federal preference requirement was temporarily suspended by the continuing resolution enacted in January 1996 through the appropriations act for fiscal year 1998.

<sup>23</sup>Specifically, QHWRA required that not less than 75 percent of new program participants under the voucher program and not less than 40 percent under the public housing and project-based Section 8 programs be extremely low income.

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provided that their process is consistent with their administrative plan.<sup>24</sup> HUD policy requires housing agencies to specify their preferences in their administrative plans, and HUD reviews these preferences to ensure that they conform to nondiscrimination and equal employment opportunity requirements. Similarly, HUD policy allows owners of project-based properties to establish preferences as long as the preferences are specified in their written tenant selection plans.<sup>25</sup> While HUD requires housing agencies and property owners to disclose their preferences in their administrative or tenant selection plans, HUD officials said the department does not compile or systematically track this information because public housing agencies and property owners are not required to have preferences.

Most of the 41 public housing agencies we contacted used a preference system for admission to their public housing and housing choice voucher programs, but less than half offered a veterans' preference. As shown in table 3, of the 34 largest housing agencies that administered the public housing program, 29 established preferences for admission to the program and 14 used a veterans' preference. Similarly, of the 40 housing agencies that administered the housing choice voucher program, 34 used admission preferences, and 13 employed a preference for veterans. According to public housing agency officials, the most common preferences used for both programs were for working families, individuals who were unable to work because of age or disability, and individuals who had been involuntarily displaced or were homeless. Of course, veterans could benefit from these admission preferences if they met the criteria.

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<sup>24</sup>A public housing agency's administrative plan is a comprehensive guide to the agency's policies, programs, operations, and strategies for meeting local housing needs and goals. There are two parts to the plan: (1) the 5-Year Plan, which each housing agency submits to HUD once every fifth public housing agency's fiscal year and (2) the Annual Plan, which is submitted to HUD every year.

<sup>25</sup>A tenant selection plan is a comprehensive guide that describes the owners' tenant selection policies and procedures. These plans include descriptions of the eligibility requirements and income limits for admission.



**Table 3: Number of Contacted Housing Agencies That Used a Preference System in Their Public Housing and Housing Choice Voucher Programs**

<b>Public housing agency's use of preferences</b>	<b>Public housing</b>	<b>Vouchers</b>
Agencies with a preference system	29	34
With a veterans' preference	14	13
Without a veterans' preference	15	21
Agencies with no preference system	5	6
<b>Total public housing agencies</b>	<b>34</b>	<b>40</b>

Source: GAO.

Note: Of the 41 housing agencies we contacted, 7 did not administer a public housing program and 1 did not administer a voucher program.

Some of the public housing agencies we contacted offered veterans' preferences because their states required them to do so. Other housing agency officials told us they offered a veterans' preference because they believed it was important to serve the needs of low-income veterans since they had done so much for the well-being of others. Public housing agencies that we contacted that did not offer a veterans' preference gave various reasons for their decisions. Some officials told us that the housing agency did not need a veterans' preference because veteran applicants generally qualified under other preference categories, such as elderly or disabled. One housing agency official we contacted said a veterans' preference was not needed because of the relatively small number of veterans in the community.

According to all of the performance-based contract administrators we contacted, owners of project-based properties that they oversee generally did not employ a veterans' preference when selecting tenants. Ten of the 13 largest contract administrators told us, based on their review of property owners' tenant selection plans, that owners of project-based properties generally did not employ preferences for any specific population.<sup>26</sup> Officials from the remaining three contract administrators said they were aware of some property owners offering preferences to individuals who had been involuntarily displaced, working families, or those unable to work because of age or disability. However, all the

<sup>26</sup> According to HUD policy, a preference for households that are involuntarily displaced by government action or natural disaster generally applies to properties that have a HUD-insured mortgage.

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contract administrators we contacted either said that property owners did not use preferences or agreed that the use of preferences, including a veterans' preference, among owners of properties with project-based assistance was limited. HUD officials to whom we spoke also stated, based on their experience with tenant selection plans, that the use of preferences at project-based properties likely was infrequent.

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**At Least 250,000  
Veteran Households  
Received HUD Rental  
Assistance, but  
Veterans Were Less  
Likely to Receive  
Such Assistance Than  
Other Low-Income  
Households**

Low-income veteran renter households were less likely to receive HUD rental assistance than other households. As shown in table 4, of the total 2.3 million veteran renter households with low incomes, about 250,000 (or 11 percent) received HUD assistance. In comparison, of the 22 million other renter households with low incomes, 4.1 million (about 19 percent) received HUD assistance.<sup>27</sup> (As noted previously, although HUD is the largest provider of federal rental housing assistance to low-income households, it is not the sole source of such assistance. Thus, these percentages likely understate the actual share of all eligible veteran renter households that receive federal rental assistance.)

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<sup>27</sup>Since a significant portion of HUD-assisted households have very low- and extremely low-incomes, we also estimated the share of veteran renter households in these two income categories and found that about 19 percent of them received HUD assistance (compared with about 27 percent of other households).

**Table 4: Estimated Number of Low-Income Veteran and Other Renter Households, by HUD Assistance, 2005**

Households in thousands				
	Veteran household		Other household	
	Number	Percentage	Number	Percentage
HUD assisted	254	11%	4,147	19%
Unassisted	1,794	78	15,933	73
With an affordability problem	1,285	56	13,856	63
Without an affordability problem <sup>a</sup>	509	22	2,117	10
Other <sup>b</sup>	235	10	1,893	9
<b>Total<sup>c</sup></b>	<b>2,283</b>	<b>100%</b>	<b>22,013</b>	<b>100%</b>

Sources: GAO analysis of VA's Beneficiary Identification and Records Location Subsystem (BIRLS), HUD's Public and Indian Housing Information Center (PIC) and Tenant Rental Assistance Certification System (TRACS), and sample survey data from 2005 ACS.

<sup>a</sup>ACS does not identify households that receive federal rental assistance. Therefore, to determine the number of unassisted low-income households without an affordability problem, we took the difference between the number of HUD-assisted households derived from HUD data systems and ACS' reported number of low-income renter households without an affordability problem. We assumed that HUD-assisted households were included in ACS data among those households that did not have an affordability problem.

<sup>b</sup>"Other" includes households that reported zero income or paid no cash rent.

<sup>c</sup>Household counts and percentages may not add due to rounding.

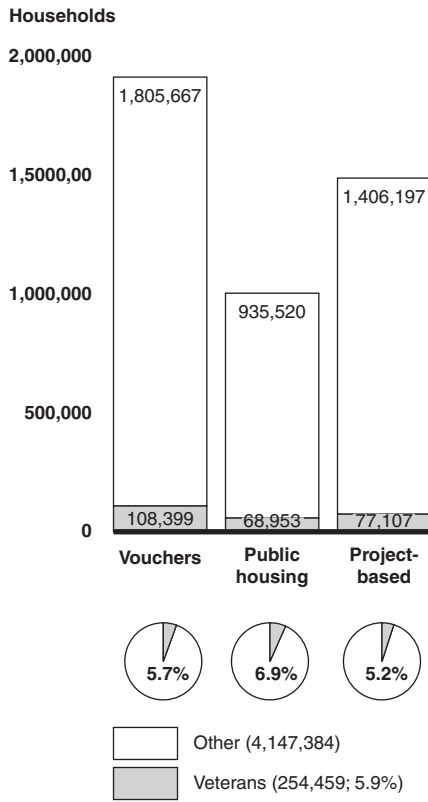
The reasons why other households were nearly twice as likely as veteran households to receive HUD assistance are unclear. However, based on our analyses and discussions with agency officials, we identified some potential explanations. For example:

- As previously noted, although a significant proportion of low-income veteran households face affordability problems, an even larger proportion of other (nonveteran) households face more severe affordability problems. Thus, the level of veteran demand for rental assistance may be lower than that of nonveteran households.

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- Also as previously noted, HUD rental assistance programs do not take veteran status into account when determining eligibility, and most public housing agencies and property owners do not offer veterans' preferences. As a result, these policy decisions likely focus resources on other types of low-income households with housing needs.
  - Although low-income households generally are eligible to receive rental assistance from HUD's three programs, statutory requirements mandate that a certain percentage of new program participants must be extremely low income. These targeting requirements may lead to a higher share of HUD rental assistance going to nonveteran households because veteran households generally are less likely to fall within the extremely low-income category.

The estimated 250,000 veteran households that received HUD rental assistance in 2005 constituted about 6 percent of all HUD-assisted households. The housing choice voucher program served the largest number of veteran households, followed by the project-based program, and public housing (see fig. 3). However, a slightly higher proportion of veteran households participated in the public housing program (6.9 percent) than participated in the voucher (5.7 percent) and project-based (5.2 percent) programs.

**Figure 3: Number and Percentage of Low-Income Veteran Households Assisted by the Voucher, Public Housing, and Project-Based Programs, Fiscal Year 2005**



Source: GAO analysis of VA's Beneficiary Identification and Records Location Subsystem and HUD's Public Housing Information Center and Tenant Rental Assistance Certification System.

We found some similarities in the demographic characteristics of veterans and other assisted households we analyzed. For example:

- Compared with other assisted households, HUD-assisted veteran households were as likely to be elderly. Specifically, in fiscal year 2005, about 75,000, or 30 percent, of assisted veteran households were elderly, and about 1.3 million, or 31 percent, of other assisted households were elderly.
- HUD-assisted veteran households were more likely to have a disability. In fiscal year 2005, HUD provided assistance to about 88,000 veteran households with a disability, or about 34 percent of assisted veteran households. In comparison, 1.2 million or 28 percent of other assisted households had a disability.

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Our August 2007 report contains additional information on the demographic and income characteristics of veteran and nonveteran households, as well as the extent to which HUD programs take veteran status into account when determining eligibility and subsidy amounts.

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Madam Chairwoman, this concludes my prepared statement. I would be happy to answer any questions at this time.

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## Contact and Acknowledgement

For further information on this testimony, please contact David G. Wood at (202) 512-8678 or [woodd@gao.gov](mailto:woodd@gao.gov). Contact points from our Office of Congressional Relations may be found on the last page of this statement. Individuals making key contributions to this testimony included Marianne Anderson, Michelle Bowsky, Daniel Garcia-Diaz, John T. McGrail, Josephine Perez, and Rose Schuville.

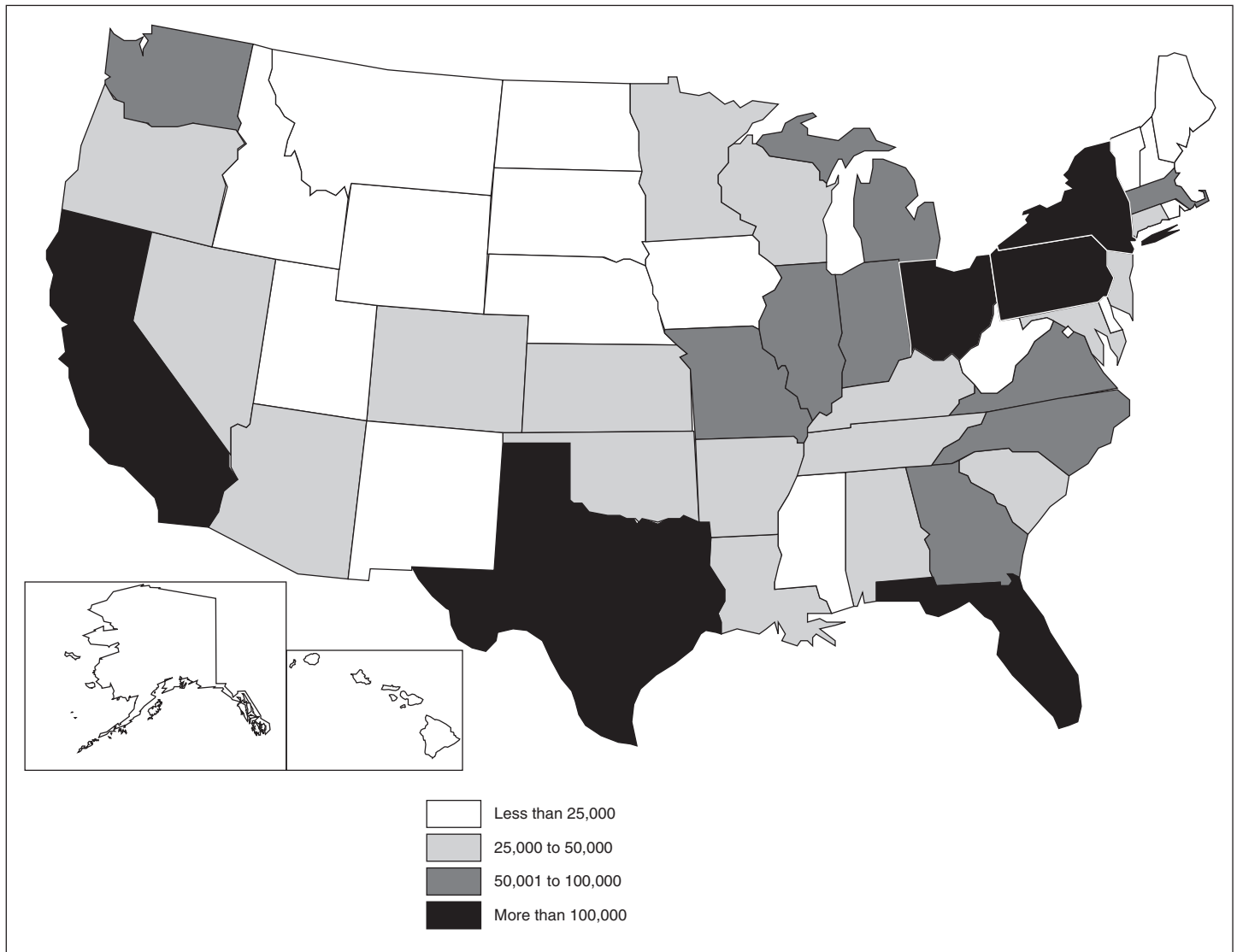
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# Appendix I: Numbers and Percentages of Low-Income Veteran Renter Households by State

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The estimated numbers of low-income veteran renter households in 2005 varied greatly by state, as shown in figure 4. The estimated median number of low-income veteran renters in any state was about 34,000. California had significantly more low-income veteran renter households than any other state—more than 236,000, or about 10 percent of all such households nationwide—followed by Texas with about 142,000, and New York with about 135,000. The states with the smallest number of low-income veteran households were Vermont, Delaware, and Wyoming with less than 6,000 each.

**Figure 4: Number of Low-Income Veteran Renter Households, by State, 2005**



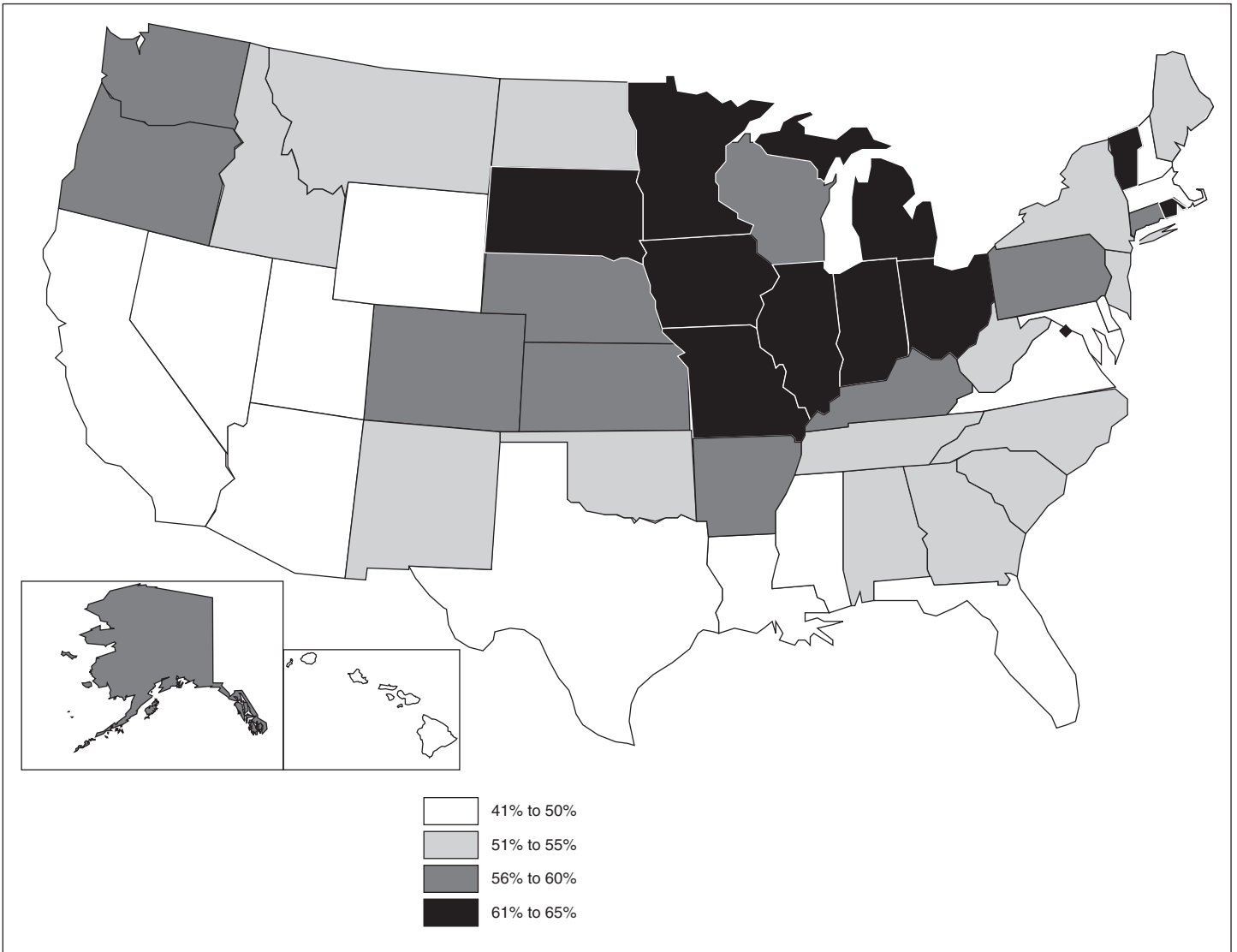
Sources: GAO analysis of sample survey data from 2005 ACS; Art Explosion (map).

Note: Twenty-two states had margins of error of more than 10 percent, and two states and the District of Columbia had margins of error that were more than 20 percent.

As shown in figure 5, the percentages of veteran renter households that were low-income in 2005 also varied considerably by state. Michigan had the highest percentage—about 65 percent of its veteran renter households were low income, while Virginia had the lowest—about 41 percent.



**Figure 5: Percentage of Veteran Renter Households That Were Low-Income, by State, 2005**



Sources: GAO analysis of sample survey data from 2005 ACS; Art Explosion (map).

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