

# Direct Cash Transfers and Federal Rental Assistance

The Impact of Direct Cash Transfers and Federal Rental Assistance: Implications Among Young Adults at Risk of or Experiencing Homelessness

By Ann Oliva<sup>1</sup> and Sonya Acosta<sup>2</sup> | November 2022



Housing is a foundational component of well-being, and securing a safe, stable home for youth experiencing homelessness should be a key goal for communities. To help people experiencing or at risk of homelessness afford housing, the federal government has several programs. These programs also allow communities to expand the supply of homes that people with low incomes can afford. While many of these programs have been proven to be effective, the federal government does not provide adequate funding or resources to address need. Most systems have significant gaps in the supports available to young people, leaving many youth and young adults languishing in homelessness and housing instability and exposed to several associated adversities. Often, the programs available are crisis driven rather than choice driven. They provide insufficient support for young people to move swiftly to safe, permanent housing and get on pathways to long-term thriving. To this end, direct cash transfers offer a promising solution.

Cash-based assistance, such as direct cash transfer (DCT) programs, have increased in the U.S. during the COVID-19 pandemic as communities have received flexible funding to help individuals and families deal with the financial and health consequences of the pandemic. Beyond the pandemic context, DCTs can be an important tool to supplement low wages in a way that honors individuals' choice and dignity. Given DCTs' flexibility and reduced bureaucracy, they could be especially helpful for youth experiencing homelessness. Young adults with low incomes already face challenges renting homes because of their limited rental and credit histories, and the additional documentation requirements of rental assistance programs pose a barrier to the programs. This paper provides information for DCT program designers and policymakers to help them understand the potential relationship between a DCT and federal rental assistance programs administered by the U.S. Department of Housing and Urban Development (HUD).

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**Federally affordable housing and homelessness programs are critically underfunded. Therefore, young adults have limited access to these resources, which makes DCTs an important alternative to traditional housing subsidies for many young people.**

**HIGHLIGHTS:**

- Agencies implementing direct cash transfers (DCTs) should work closely with their local continuum of care and public housing agency to take advantage of regulatory flexibilities and to ensure that DCTs do not create barriers for young people to access these resources when they are available.
- DCTs provided to youth and young adults do not impact eligibility for HUD’s homelessness programs, except for homelessness prevention programs where DCTs may be counted as income.
- Federal affordable housing and homelessness programs are critically underfunded. Therefore, young adults have limited access to these resources, which makes DCTs an important alternative to traditional housing subsidies for many young people.
- How DCTs are designed and structured for tax and income purposes impacts eligibility and the amount participants pay toward rent for federal rental assistance programs (like Housing Choice Vouchers).

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# FEDERAL RENTAL ASSISTANCE PRIMER

## ABSTRACT

DCT programs can be designed to ensure participating youth experiencing homelessness can still access federal rental assistance or provide an alternative to such assistance, which can be difficult for young adults to access due to limited funding and some programmatic barriers. This paper provides an overview of HUD homelessness and rental assistance programs, with an emphasis on the Housing Choice Voucher program, to inform decision makers as they design programs to effectively help youth experiencing homelessness.

## Acronyms and Abbreviations

HUD	U.S. Department of Housing and Urban Development
DCT	Direct Cash Transfer
HCV	Housing Choice Voucher program
CoC	Continuum of Care program
ESG	Emergency Solutions Grants program
PSH	Permanent Supportive Housing
FUP	Family Unification Program
FYI	Foster Youth to Independence
HOTMA	Housing Opportunity Through Modernization Act of 2016
YHDP	Youth Homelessness Demonstration Project

# OVERVIEW OF FEDERAL RENTAL ASSISTANCE PROGRAMS



Rental assistance helps bridge the gap between someone's income and the cost of housing. Assistance for people at risk of or experiencing homelessness is generally focused on helping them rent, not purchase, a home.

Rental assistance helps bridge the gap between someone's income and the cost of housing. Assistance for people at risk of or experiencing homelessness is generally focused on helping them rent, not purchase, a home. Some states, cities, and counties may fund rental assistance programs of their own, but most resources come from federal programs that are then administered locally. Rental assistance can be short, medium, or long term, depending on the program and needs of the individual or family. Assistance can be either tenant-based, meaning the assistance is tied to and moves with the household (portability to other geographic areas is allowed with some limitations), or project-based, where the subsidy is tied to a specific home.

People at risk of or experiencing homelessness may be able to access housing assistance through the local homelessness system. They, and other households with low incomes, may also be able to receive help through several federal rental assistance programs, the largest of which is the Housing Choice Voucher (HCV) program, through local housing agencies. While this paper will primarily focus on the implications of DCTs for the HCV program, this section will also provide an overview of other programs.<sup>3</sup>

This paper provides a broad overview of these resources to help DCT program designers and policymakers understand potential interactions between programs and is not intended to provide detailed program administration guidance for HUD's programs to help practitioners. Each program section includes links to relevant guidance and program regulations for the reader's reference.

## RENTAL ASSISTANCE THROUGH HOMELESSNESS SYSTEMS

HUD homelessness programs are one avenue through which rental assistance can be provided to youth and young adults experiencing homelessness (U.S. Department of Housing and Urban Development, n.d.-a; n.d.-b; 2019). These programs include the Continuum of Care (CoC) program and the Emergency Solutions Grants (ESG) program. ESG funds can also be used to provide rental assistance for youth and young adults at risk of homelessness (U.S. Department of Housing and Urban Development, 2012) through homelessness prevention programs. Although HUD's homeless programs currently receive more than \$3 billion in funding annually, they fall far short of meeting the full need for affordable housing and services for people experiencing or at risk of homelessness nationally. In 2020, more than 580,000 people experienced homelessness on a single night in January, nearly 200,000 of whom were unsheltered (Henry et al., 2021). Nearly 33,000 unaccompanied young

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<sup>3</sup> It is important to note that this paper includes information on permanent, authorized rental assistance programs. It does not discuss programs funded as part of COVID-19 relief. For more information about COVID-19 relief programs, see HUD's web page: [https://www.hud.gov/coronavirus/resources\\_for\\_renters](https://www.hud.gov/coronavirus/resources_for_renters) and <https://www.hud.gov/ehv>.

adults aged 18 to 24 (about 8% of individuals in this category) were counted in that 2020 count, with another 7,335 youth experiencing homelessness as parents. Data from the national Voices of Youth Count study indicate that these figures are likely higher, with youth homelessness being more hidden. The study indicates that one in 10 young people 18 to 25 years old experienced some form of homelessness, including sleeping on the streets, in shelters, running away, being kicked out, and couch surfing over the course of the year prior (Morton et al., 2017).

**Rapid rehousing** includes voluntary supportive services, such as intensive case management, housing navigation, and physical and behavioral health resources, and short- or medium-term rental assistance that can last up to 24 months depending on the needs of the youth/young adult. In rapid rehousing programs, the lease is signed by the program participant, so the unit is permanent although the rental assistance is short term. Unlike other rental assistance programs, rental assistance provided through a rapid rehousing program can be flexible and change over the individual's tenure in the program.

#### KEY REGULATIONS AND GUIDANCE

- [HUD's Continuum of Care Program Interim Rule and Introduction to CoC](#)
- [HUD's ESG Program Interim Rule](#)
- [Youth Homelessness Demonstration Program Resources](#)
- [Determining Homeless Status of Youth](#)
- [Defining Homeless Final Rule](#)
- [Criteria for Definition of At Risk of Homelessness](#)

For example, a young person may enter the program with no income and have 100% of their rent paid for by the program for the first 6 months. In this scenario, a young person may become employed or begin to receive DCT payments 6 months into the program and can begin gradually paying a share of the rent over their remaining 18 months in the program. At exit from the program, the program participant will pay the full rent amount (participants may be extended in the program under certain circumstances). Rapid rehousing can be a particularly effective approach for young adults because it provides both services and a subsidy to support a young person's changing needs. In addition, the program can be flexible throughout the young person's participation. Youth entering rapid re-housing programs funded by CoC or ESG must be experiencing homelessness according to HUD's definition but are not required by law to meet other eligibility criteria regarding income or disability status. Some programs may impose additional targeting for whom they serve based on what is needed in the community (but cannot discriminate against any protected classes).

**Permanent Supportive Housing (PSH)** is housing that includes intensive supportive services based on what a program participant wants and needs and that has no time limitation. PSH can be based in a specific building or units (project based) or can include vouchers that allow the program participant to select a unit in an area of their choice (tenant based) so long as the rent is reasonable and at or below the rent estimates for that area as determined by HUD (fair market rents). PSH tenant-based subsidies are generally limited to specific geographic areas because local supportive services are paired with the assistance.

To be eligible for PSH, the youth or young adult must be experiencing homelessness according to HUD's definition and have a disability (or be in a family in which one adult or child has a disability). As with rapid re-housing, there is no eligibility criteria based on the person's income. As with other HUD rental assistance programs, households in PSH generally pay 30% of their income towards rent. As discussed in more detail later in this paper, this income could include DCT payments. In some cases, HUD imposes additional eligibility criteria, including funding for programs that serve people experiencing chronic homelessness or young people. Some local program administrators may impose additional targeting for whom they serve based on what is needed in the community (but cannot discriminate against any protected classes).

**Homelessness prevention programs** that include short- or medium-term rental assistance can be funded through ESG. These programs can include housing relocation and stabilization services paired with rental assistance designed to keep a youth from entering shelter or otherwise becoming homeless. For example, a youth exiting foster care may be eligible for homelessness prevention assistance. In this case, the homelessness prevention program administrator must determine if the young person meets HUD's definition of "at-risk of homelessness" and if they have an income less than 30% of the area median income. Therefore, direct cash transfers may need to be considered to determine eligibility for a homelessness prevention program depending on how the direct cash transfer is structured.

## FEDERAL RENTAL ASSISTANCE PROGRAMS

Youth experiencing homelessness and households with low incomes can apply for rental assistance through several HUD programs that bridge the gap between income and rent. Though effective, these programs only reach a quarter of people who are eligible due to limited funding. The following three programs assist about 84% of the households receiving federal rental assistance:

- **Housing Choice Vouchers:** These are formerly known as Section 8 vouchers. This is the largest federal rental assistance program, helping more than 5 million people in about 2.3 million households. With a voucher, the household pays about 30% of its income for rent and utilities, and the voucher covers the rest. The program is administered locally by a housing agency. For the most part, vouchers are tenant based, allowing households to rent the home of their choice. Housing agencies can also tie a share of vouchers to a certain home (known as "project-basing") to make that specific unit affordable (Center on Budget and Policy Priorities, 2022b). See below for more details on the program.
- **Public Housing:** Publicly funded and operated housing available to people with low incomes. For the most part, local housing agencies manage the country's 958,000 public housing units, which provide an affordable home to nearly 2 million people (some agencies contract with private management companies or transfer ownership to a private entity; Center on Budget and Policy Priorities, 2021).
- **Project-Based Rental Assistance:** Participating private owners make multiyear agreements with HUD (or housing agencies in specific circumstances) to make their properties affordable. Owners manage the property and HUD provides them with a subsidy to cover the difference between the tenants' contributions in rent and the cost of maintaining and operating the home. As the name suggests, rental assistance through this program is tied to the specific unit (Center on Budget and Policy Priorities, 2022b).

Eligibility for these programs is similar, but some differences in federal statutes and regulations could impact DCT design implications. As the largest program, this paper will focus on housing vouchers.

HUD also operates several smaller programs that serve specific populations:

- **Section 202 Supportive Housing for the Elderly**, which provides resources to build, preserve, or acquire housing for older adults and subsidies to make the homes affordable.
- **Section 811 Supportive Housing for Persons with Disabilities**, which subsidizes rental housing for people with disabilities and their families.
- **Housing Opportunities for Persons with AIDS (HOPWA)**, which provides housing assistance and related supportive services for people with low incomes living with HIV/AIDS and their families.

Although not discussed in detail in this paper, other agencies operate some additional programs. The U.S. Department of Agriculture operates a rental assistance program in rural areas that helps more than 265,000 households (Center on Budget and Policy Priorities, 2022a). And in response to the COVID-19 pandemic, Congress provided \$46.5 billion to create the Emergency Rental Assistance Program (ERAP), which provides short-term rental assistance (no more than 18 months, inclusive of back rent) to help households impacted by the pandemic maintain stable housing. State and local agencies administer this program. Assistance may still be available in some places, but others have closed their applications (and may not receive additional funding for the program; U.S. Department of the Treasury, n.d.).

## HOUSING CHOICE VOUCHERS

As the largest federal rental assistance program, understanding how a DCT may interact with housing vouchers can help ensure participants remain eligible for the program. This section provides more details on how HCVs operate.

An individual or family can use a voucher to help pay the rent either for its current unit or a new unit. In either case, the landlord must agree to participate in the program. The housing agency must verify that the unit meets federal housing quality standards and that the rent is reasonable compared to market rents for similar units in the area. The household with a voucher generally must contribute the higher of 30% of its income, as determined under HUD's regulations, or a "minimum rent" of up to \$50 for rent and utilities. The voucher covers the rest of those costs, up to a limit (called a payment standard) set by the local housing agency that is based on HUD's Fair Market Rent estimates (U.S. Department of Housing and Urban Development, Office of Policy Development and Research, n.d.). Housing agencies may establish a higher payment standard as a reasonable accommodation for a person with a disability. As discussed in greater detail later in this paper, the tenant's contribution toward the rent may change with their income. Households with vouchers can continue receiving assistance as long as they remain eligible and are able to complete the leasing process.

When a household receives a voucher, they have at least 60 days to find a home and begin the leasing process. Some housing agencies provide more than 60 days for this search time, and program participants can always request additional time. Once the voucher holder finds a housing option, the housing agency will need to approve it before a lease is signed.

Households with a voucher receive an allowance to help pay for utilities—such as electricity, gas, water, and trash collection—that a tenant is expected to pay and is not already included in the price of rent. Utility allowances do not cover internet costs. Housing agencies establish utility allowances based on average consumption data, local prices, and size of the household and home. Unlike rent contributions, they do not change based on a participant's income.

Vouchers can be used for additional purposes as well, with some limitations. Up to 30% of an agency's vouchers can be used for subsidies—called project-based vouchers—that are tied to a particular property rather than a particular family (Center on Budget and Policy Priorities, 2022c). Some housing agencies may also allow families to use vouchers to help with mortgage payments, enabling them to purchase homes, although this option is not widely used.

To receive a voucher, applicants must meet all the eligibility requirements outlined in Table 1.

### KEY REGULATIONS AND GUIDANCE

- [Housing Choice Voucher Program Guidebook](#)
- Voucher regulations: [24 CFR 982](#)
  - Eligibility and targeting: [24 CFR 982.201](#)
- Income definition: [24 CFR 5.609](#)
- [Eligibility of Independent Students for Assisted Housing](#)
- [Housing Choice Voucher Portability Guidance](#)

Table 1. Eligibility for Housing Choice Voucher Program

<b>ELIGIBILITY REQUIREMENTS</b>	
<b>Income</b>	Households must have incomes at or below 50% of the local median or, under some circumstances, up to 80% of the local median. Seventy-five percent of new households admitted each year by a local housing agency must have “extremely low incomes,” defined as incomes up to the poverty line or 30% of the local median, whichever is higher. HUD annually publishes household income limits based on location and family size.
<b>Immigration Status</b>	<p>Eligible immigration statuses:</p> <ul style="list-style-type: none"> <li>• U.S. citizen</li> <li>• Lawful Permanent Resident</li> <li>• Violence Against Women Act (VAWA) Self-Petitioner</li> <li>• Asylee and Refugee</li> <li>• Parolee</li> <li>• Person granted withholding of removal/deportation</li> <li>• Victim of trafficking</li> <li>• Individual residing in the U.S. under the Compacts of Free Association with the Marshall Islands, Micronesia, Palau, and Guam</li> <li>• Immigrant admitted for lawful temporary residence under the Immigration Reform and Control Act of 1986</li> </ul> <p>Ineligible immigration statuses: all other categories of noncitizens, such as student visa holders, employment visa holders, U-visa holders, recipients of Deferred Action for Childhood Arrivals (DACA), Temporary Protected Status (TPS) recipients, and people without a documented immigration status.</p>
<b>Previous Convictions</b>	<p>An individual is ineligible for a voucher if they have been:</p> <ul style="list-style-type: none"> <li>• subject to a lifetime sex offender registration;</li> <li>• evicted from federally assisted housing within the last 3 years for drug-related activity;</li> <li>• determined to be currently using a controlled substance;</li> <li>• determined to have a pattern of use of controlled substance or alcohol that interferes with health, safety, or right to peaceful enjoyment for other residents; or</li> <li>• convicted of the manufacture of methamphetamine on the premises of federally assisted housing.</li> </ul> <p>Housing agencies may establish additional restrictions based on criminal legal convictions (but not based solely on arrest records).</p>
<b>Restrictions for students</b>	<p>A student enrolled at a college or university not living with their parents has to meet certain criteria to be eligible for a voucher, including those who are verified:</p> <ol style="list-style-type: none"> <li>1. to meet the definition of “unaccompanied youth” as defined in section 725 of the McKinney-Vento Homeless Assistance Act, or</li> <li>2. as unaccompanied, at risk of homelessness, and self-supporting (U.S. Department of Housing and Urban Development, 2016).</li> </ol> <p>This means that college or university students experiencing homelessness should be eligible for a voucher.</p>

**Source: 24 CFR 982.2**

Vouchers can be used in shared housing living arrangements, although each housing agency establishes their own policies. (Agencies are required to make reasonable accommodations about shared living arrangements if needed for people with

disabilities.) Someone with a voucher can share a home with another voucher recipient or people without assistance (U.S. Department of Housing and Urban Development, 2015). Vouchers sharply reduce homelessness and other hardships, lift more than a million people above the poverty line, and give families more choices about where to live, including by expanding access to neighborhoods with resources that best fit their needs. These effects, in turn, are closely linked to educational, developmental, and health benefits that can improve adults' well-being and health and children's long-term outcomes, while reducing costs in other public programs (Fischer et al., 2019).

Despite the program's proven effectiveness, only a small share of people eligible receive assistance due to inadequate funding. About 1 in 4 households eligible for federal rental assistance receive it (Center on Budget and Policy Priorities, n.d.). Given the limited supply of vouchers, housing agencies establish wait lists that generally are hundreds or thousands of households long (Acosta & Guerrero, 2021). Those that do eventually receive a voucher have to wait an average of two and a half years on the list (Acosta & Gartland, 2021). People are often unable to even get on a wait list because many agencies have closed their lists to new applicants.

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## YOUNG ADULTS HAVE LIMITED ACCESS TO VOUCHERS



**Assistance such as DCTs that have less bureaucracy and more flexibility for youth to live with roommates or move with greater ease could be a helpful tool for ending youth homelessness.**

Overall, only 2% of households—about 46,500 households—that receive vouchers are headed by a young adult, including households that are a single young adult and those who are parenting or pregnant (U.S. Department of Housing and Urban Development, n.d.-c). This low number demonstrates that young adults often struggle to obtain a voucher or other rental assistance. As discussed earlier, this is in part because of the limited supply of assistance, but youth face additional barriers. Many are unaware that they may be eligible for a voucher or are reluctant to apply. They may also have trouble navigating the process and providing the necessary documentation to prove eligibility. Because youth often lack strong rental and credit histories or steady employment, they may struggle to find a landlord willing to rent to them, even when not using rental assistance. Reluctance to rent to someone with a voucher can be an additional barrier for youth in places without legal protections (i.e., bans on source of income discrimination; Coffey et al., 2021). Assistance such as DCTs that have less bureaucracy and more flexibility for youth to live with roommates or move with greater ease could be a helpful tool for ending youth homelessness.

Youth may also be unable to access federal rental assistance because of their immigration status or previous criminal legal convictions. A young adult with an immigration status that makes them ineligible for the program may not obtain a voucher if living alone. However, if they are part of a household in which other members are eligible, the agency can provide prorated assistance that covers those who are eligible. For example, a young adult without a documented immigration status living

with their child with U.S. citizenship would receive assistance prorated at 50% since half of the household is eligible (see rent calculation example under “Income and Rent Determinations” below).

## SOME VOUCHER RESOURCES RESERVED FOR FOSTER YOUTH

Within the Housing Choice Voucher program is a smaller, population-specific program called the Family Unification Program (FUP). Housing agencies work with public child welfare agencies to provide vouchers to either 1) families for whom lack of housing is a primary factor in placement of child(ren) in out-of-home care or the delay of child(ren) returning to the family from out-of-home care or 2) youth between ages 18 and 24 who have left foster care or will leave foster care within 90 days. For foster youth, the housing assistance is limited to 36 months (3 years; U.S. Department of Housing and Urban Development, n.d.-d). About 280 agencies (of more than 2,000) currently administer about 29,000 FUP vouchers (U.S. Department of Housing and Urban Development, n.d.-e). Housing agencies can also request authority to administer these vouchers for foster youth through the Foster Youth to Independence (FYI) initiative. FYI aims to better synchronize FUP vouchers with emancipation from foster care to prevent homelessness by allowing agencies to request assistance on a rolling basis. Through FYI, agencies can utilize existing resources for these vouchers, and Congress has also appropriated dedicated resources (U.S. Department of Housing and Urban Development, n.d.-f).

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## VOUCHERS AND INCOME

DCTs provided as lump sums or in temporary, sporadic payments could be excluded as income, but DCT program administrators may need to work directly with housing agency to staff to ensure they classify it as such.



Any financial resources, including DCT payments, may impact assistance through vouchers and many other forms of rental assistance (see Appendix A for forms of rental assistance) in two primary ways:

- **Eligibility:** As discussed above, participants must have income below a certain level to be eligible and maintain eligibility in the program. Eligibility is recertified annually.
- **Rent determination:** Because participants in the voucher program typically pay 30% of their monthly income toward rent, the amount they pay in rent may change with their income. (Utility allowances aren't based on income, so they will not change.)

## HUD'S DEFINITION OF INCOME

Households are required to report their different sources of income and other financial resources to the housing agency to determine eligibility and rent payments.<sup>4</sup> Some sources HUD considers income across rental assistance programs include:

- Wages and salaries
- Unemployment, disability, and similar compensation
- TANF (some exemptions)
- Regular contributions or gifts (monetary or otherwise) from anyone outside the family. This may include rent and utility payments paid on behalf of the family and other cash or non-cash contributions provided on a regular basis.
- Higher education financial assistance, such as grants and scholarships, that are provided in excess of tuition. This does not include money received through student loans.

Financial sources not counted as income include:

- Lump sums, such as inheritances
- Money received for reimbursements of expenses from participation in other public assistance programs (for example, a publicly funded jobs training program provides a monthly transportation stipend)
- Temporary, nonrecurring, or sporadic income. A common factor in determining if income fits in this category is whether a household expects to receive income from this source again in the coming year, even if payments are made on an irregular basis.

Unfortunately, this means that minimizing the impact of DCT payments on voucher assistance—even when payments are considered a gift or unearned income by the IRS—is not straightforward. DCTs provided as lump sums or in temporary, sporadic payments could be excluded as income, but DCT program administrators may need to work directly with housing agency staff to ensure they classify it as such.

## IMPACT OF INCOME ON ELIGIBILITY

In addition to calculating income when a household first applies for the program, housing agencies must conduct income reexaminations (also called recertifications) on at least an annual basis. Households report changes in income and household characteristics (such as number of people in the home). The housing agency will then adjust tenant payments accordingly. Housing agencies also set policies regarding when changes need to be reported outside of annual reexaminations and may not always process increases in income that occur mid-year (tenants have the right to request reexaminations for decreases in income; U.S. Department of Housing and Urban Development, 2020).

## INCOME AND RENT DETERMINATIONS

How much a household contributes to their housing costs, known as the total tenant payment, is determined based on the income calculations outlined above. Once a household has found a home to rent, the housing agency determines the subsidy amount by subtracting the tenant payment from the actual rental cost. Housing agencies will only cover rents up to a certain level, known as a payment standard, which is based on HUD's annual Fair Market Rents. Payment standard amounts depend on the number of bedrooms in the home. Table 2 shows two examples of rent calculations for different households.

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<sup>4</sup> 24 CFR 5.609.

Table 2. Examples of Rent Calculations for Two Household Types

<b>Youth Living Alone</b> (Wages and rent based on Minneapolis, MN)		<b>Undocumented Youth with Eligible Child</b> (Wages and rent based on Oakland, CA)	
Yearly income at \$9 per hour (full time)	\$18,720	Yearly income at \$15 per hour (part time)	\$15,600
Deduction of \$480 per child	- 0	Deduction of \$480 per child	- 480
Adjusted yearly income	\$18,720	Adjusted yearly income	\$15,120
	÷ 12 months		÷ 12 months
Monthly adjusted income	\$1,560	Monthly adjusted income	\$1,260
HUD's standard of affordability	× 30%	HUD's standard of affordability	× 30%
Tenant payment	\$468	Tenant payment	\$378
Local rent for studio	\$925	Local rent for 2-bedroom	\$2,200
Tenant payment	- \$468	Tenant payment	- \$378
Nonprorated subsidy	\$457	Nonprorated subsidy	\$1,822
Proration for eligible household members	× 100%	Proration for eligible household members	× 50%
Prorated subsidy	\$457	Prorated subsidy	\$911
<b>Total Tenant Payment (Rent – Prorated subsidy)</b>	<b>\$468</b>	<b>Total Tenant Payment (Rent – Prorated subsidy)</b>	<b>\$1,289</b>

## IMPLICATIONS FOR DIRECT CASH TRANSFER DESIGN



Because vouchers are not readily available, DCT payments could provide sufficient funding to cover housing costs. This approach would likely require significant funding but could help young adults obtain housing faster while enjoying the increased flexibility of the DCT compared to a voucher.

Deciding how a DCT program for young adults experiencing homelessness interacts with rental assistance will be a key question for program design. Housing Choice Vouchers and other publicly funded rental assistance are critical resources that young adults may want to use if they become available to them, particularly because they may be able to use the assistance even when the DCT program ends. Below are considerations and recommendations for program design.

### AMOUNT OF DCT PAYMENTS

Because vouchers are not readily available, DCT payments could provide sufficient funding to cover housing costs. This approach would likely require significant funding but could help young adults obtain housing faster while enjoying the increased flexibility of the DCT compared to a voucher. This flexibility includes being able to use the resources for nonhousing costs. Local median rents (which will be higher than HUD's Fair Market Rent calculations) could be useful for any program hoping to provide large enough DCT payments to cover rent and utilities.

If a DCT participant becomes eligible for a voucher, adjustments to the payment amount could be necessary. A program could increase the DCT to balance out increases in housing costs (if the program is not able to exempt the DCT as income). Alternatively, the program can reduce the DCT to reflect the additional assistance provided through the voucher. Any program that issues DCTs to participants who apply for a voucher should be prepared for this situation so that participating youth can fully understand their options.

HUD publishes local income limits for rental assistance if a program wants to ensure recipients do not become ineligible because of DCT payments and is unable to get the DCT excluded as income.

## **STRUCTURE AND TIMING**

Because HUD does not consider “temporary, nonrecurring, or sporadic” payments as income, a DCT program can time-limit the assistance and provide it in sporadic installments. The time-limited nature of the program would need to be clearly communicated to the housing agency. The payment could be provided as a lump sum prior to eligibility verification since a one-time lump sum would not count as income.

Not all agencies will adjust the tenant payment based on income increases between annual income reexaminations. In partnership with such agencies, the DCT program could time payments so that an increase in a household’s rent payment could be delayed until later in the year.

When trying to exclude a DCT as income, jurisdictions should work with the housing agency to ensure they understand the design of the program. For example, as part of the Compton Pledge program in Compton, CA, the Compton Housing Authority agreed to exempt cash transfers as “temporary, non-recurring, or sporadic income” because the program only lasted 2 years. In Stockton, CA, the Stockton Economic Empowerment Demonstration (SEED) partnered with the Housing Authority of the County of San Joaquin to create a “Hold Harmless Fund” that provided periodic, lump sum payments to SEED participants to compensate for the increases in rent resulting from the SEED payments. So while the housing agency was not able to exempt the SEED payment, they were able to structure the Hold Harmless Fund in a way that it would not count as income.

DCT programs can also work with housing agencies to adjust local policies or secure waivers. The Abundant Birth Project in San Francisco, CA worked with the Housing Authority of the City and County of San Francisco to obtain a limited waiver from HUD. The housing agency requested that payments made through the Abundant Birth Project be exempt as income under 24 CFR 5.609(b)(7): “Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.” HUD granted the request, stating the waiver was “granted specifically to allow SFHA to exclude from income the research-related monthly supplement provided to Housing Choice Voucher families participating in the Abundant Birth Project to further the goals of the research” (San Francisco Office of Financial Empowerment, 2021). The emphasis on research in HUD’s response suggests that having a research or evaluation component of a DCT program could help secure waivers at the federal level. HUD also notes that once the agency is done implementing the Housing Opportunity Through Modernization Act of 2016 (HOTMA), housing agencies will be able to adopt permissive deductions without HUD approval outside of those currently permitted. Instead, agencies will have to add such income deductions to their Administrative Plan for the Housing Choice Voucher program (San Francisco Office of Financial Empowerment, 2021). The timeline for finalizing HOTMA regulations is unclear but could be as soon as 2022.

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# RECOMMENDATIONS

In addition to the more technical suggestions above, the following recommendations can be helpful for decision makers at the program design level:

## **1. ENGAGE WITH YOUTH**

As the target audience for these DCT programs, youth and young adults with lived experience of homelessness need to have a seat at the table. What they hope to get out of a DCT, what sort of living arrangements they hope to find, what resources they hope to access, and how they want to interact with the program will help direct the design of the program and ensure that it works well for them.

## **2. DESIGN PROGRAMS TO COVER HOUSING COSTS**

Ending homelessness and housing insecurity will require a variety of tools to meet the needs of different groups. Vouchers and other rental assistance resources are a critical component of the solution, but DCTs may also play an important role. Given the current funding limitations of all federal rental assistance programs, a DCT program with payments large enough to help cover local rental prices could be a significant resource for people experiencing homelessness, especially youth and young adults. A DCT would neither require some of the bureaucratic processes involved in the voucher program nor carry the stigma of a voucher, which some landlords refuse to accept. A DCT would also be more flexible and make it easier for young adults to share a home or move more frequently. DCTs could also provide larger transfers to help with security deposits, moving, furniture, or a young adult's other needs. Research should be part of any such program to help evaluate DCTs as a housing assistance option and identify ways rental assistance programs more broadly can better serve young adults.

## **3. ESTABLISH PROTOCOLS WITH HOUSING AGENCIES TO ALLOW PARTICIPANTS TO ACCEPT VOUCHERS**

Currently, many DCT programs are temporary demonstrations or pilots. While only a few years of assistance through a DCT program may be sufficient for some to find and maintain stable housing, others may need more time. However, a household can generally use a voucher as long as they remain eligible. Programs should proactively identify protocols for if/when a participant gets a voucher or other rental assistance. This will help ensure participants understand their options and can help anyone who receives a voucher make the best choice for them. Partnering with housing agencies and Continuums of Care during the design phase of the DCT program is key. This will help determine if the housing agency can modify its policies, especially after HOTMA regulations are finalized, or if the program should modify the DCT design (either overall or specifically for those who receive vouchers) to maximize the benefit of both programs for participants.

*The following recommendations at the federal level will be helpful in the path toward a more equitable housing system:*

## **4. PUSH FOR ADDITIONAL HOUSING RESOURCES AND EASIER ACCESS**

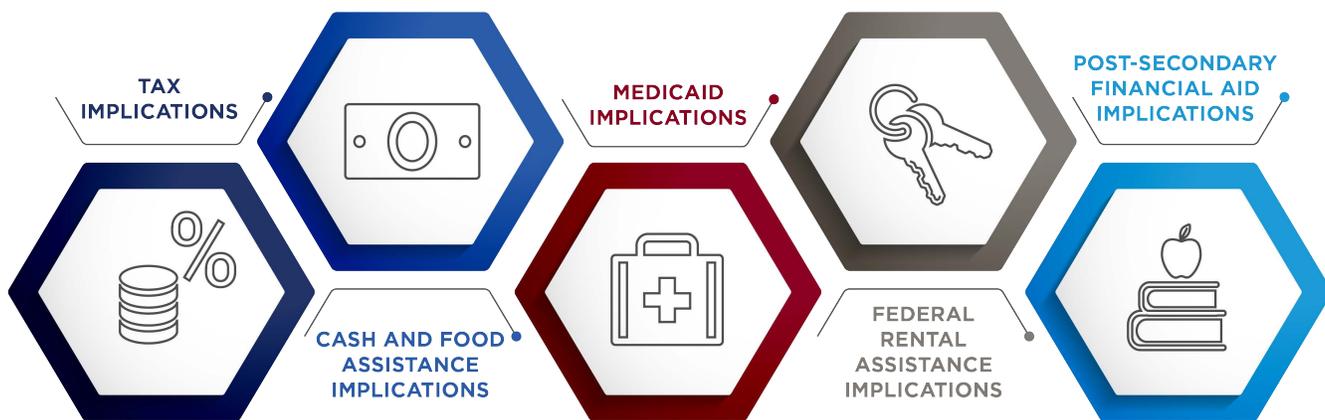
Housing is foundational, but funding for programs that help people secure and maintain it falls far short of the need. In part as a response to the COVID-19 pandemic, Congress has provided additional housing resources in recent years. However, more resources are needed to create a true housing safety net. State and local governments can create housing assistance programs of their own, ideally designed to help those families and individuals who face barriers to federal rental assistance, such as immigrants, people with criminal legal convictions, and young adults. At the federal level, Congress should continue to remove such statutory barriers, pass national protections from source of income

discrimination, and build on recent investments for vouchers and services until everyone has access to housing. HUD and housing agencies can also make vouchers easier to use by providing housing search and navigation services, incentivizing landlords to encourage their participation, helping with security and utility deposits, and offering some flexibility in the application and documentation process.

**5. PURSUE STATUTORY AND REGULATORY CHANGES TO MAKE DCTS EASIER TO USE IN CONJUNCTION WITH RENTAL ASSISTANCE PROGRAMS.**

Many of the barriers to effectively and easily using DCTs alongside HUD’s rental assistance programs exist because DCTs were not contemplated as an intervention when these programs were authorized, designed, and implemented. HUD and lawmakers should include DCTs as a factor when considering modernization of the programs discussed in this paper. This will help ensure that cash assistance, and DCTs in particular, are a viable option for young adults while not disqualifying them from receiving rental assistance.

The toolkit is comprised of multiple well-researched, vetted, and user-friendly resources that cross the spectrum of taxes and public benefits to provide clear policy analyses and recommendations for state and local jurisdictions to implement and evaluate DCT projects for youth and young adults that maximize their positive outcomes and minimize risks to participants.



# APPENDIX A.

## TYPES OF RENTAL ASSISTANCE

	Rental Assistance through Homeless Assistance Programs			Federal Rental Assistance programs		
	Homeless Prevention (ESG)	Rapid Re-housing (ESG, CoC, or YHDP)	Permanent Supportive Housing (CoC or YHDP)	Housing Choice Vouchers	Public Housing	Project-Based Rental Assistance
<b>Income eligibility</b>	Meets definition of "at-risk of homelessness" and has income less than 30% of local median income	Meets the definition of homeless but no income eligibility requirement	Meets the definition of homeless, has a disability (or is in household in which someone else has a disability), but no income eligibility requirement	Income at or below 50% of the local median income or, under some circumstances, up to 80% of local median	Income less than 80% of the local median income	Income less than 80% of the local median income
<b>Rent determination</b>	Varies based on type of assistance	Varies based on household	Households pay 30% of their income towards rent	Households pay 30% of their income toward rent (or a minimum rent, whichever is higher)		

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## Recommended Citation

Oliva, A., & Acosta, S. (2022). *Direct cash transfers and federal rental assistance: The impact of direct cash transfers and federal rental assistance: Implications among young adults at risk of or experiencing homelessness*. Chicago, IL: Chapin Hall at the University of Chicago.

## Disclaimer

The opinions expressed are solely those of the authors and do not necessarily reflect the official position of funders. Nothing in this work should be construed as legal advice. This work would not be possible without the generous support of the Annie E. Casey Foundation. We offer thanks to the numerous individuals who contributed their lived and subject matter expertise, review, and input, which were critical to shaping this product, including: Joy Moses, National Alliance to End Homelessness; Sarah Hunter, Kevin Solarte, Rivianna Hyatt, Niki Paul, Housing Justice Collective; Sophia Heller, Mayor's Office, New York City; and Katherine O'Regan, Public Policy and Planning at NYU Wagner.