

# Stepped Rent

## Frequently Asked Questions

### Stepped Rent

#### **Q1. What is the Stepped Rent program?**

Under the Stepped Rent program, a household's monthly rent payment is set once based on the household's income. After that, the monthly rent payment goes up a bit at the same time every year, but those increases are not connected to household income.

#### **Q2. What are the benefits of Stepped Rent to households in the program?**

There are several benefits of Stepped Rent, including:

- When household income increases, those increases do not lead to an increase in the monthly rent payment.
- Households know when their rent will increase and know that it will increase by a relatively predictable amount.
- Households only have to provide income information once every three years.

#### **Q3. How are households protected from financial burden under Stepped Rent?**

Households in the Stepped Rent program are protected by the hardship policy (see *Hardships* section below).

#### **Q4. What is the Stepped Rent Demonstration?**

The U.S. Department of Housing and Urban Development, Office of Policy Development and Research (HUD) is sponsoring a study to learn about how the Stepped Rent policy affects households. A HUD-contracted nonprofit research organization, and its consultants, is conducting this study.

#### **Q5. How did my household become a part of the Stepped Rent program?**

Households are chosen to be a part of the Stepped Rent program by random selection.

#### **Q6. How long will I have to be in the Stepped Rent program?**

The Stepped Rent policy is being tested for six years. Stepped Rent households will have a minimum of 5 Annual Step increases.

### Monthly rent payments

#### **Q7. How will my monthly rent payment be set?**

A household's monthly rent payment for the first year of Stepped Rent is set at 30% of the household's adjusted income. Then, each year after that, the monthly rent payment will increase, or step up, by 3% of Fair Market Rents for the household's unit size.

#### **Q8. Will my monthly rent payment go up?**

Yes, but not in connection with household income. After the first year, the monthly rent payment is no longer tied to household income. Rather, as described in Q7 above, a

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household's monthly rent payment will increase by a small amount, called a "step" each year; regardless if household income has changed or not.

### **Q9. How much will my monthly rent payment increase each year?**

A household's monthly rent payment will increase, or step up, by 3% of Fair Market Rents for the household's unit size. The household's new monthly rent payment is the total of the step increase plus the previous monthly rent payment amount. The Housing Authority of the County of Kern (Authority) uses the local housing market to set the annual step increases for each unit size. This amount may be different each year depending on the local housing market. For the current annual step increase amounts, please ask the Authority.

### **Q10. Will I receive a utility reimbursement?**

Utility allowances are not affected by the Stepped Rent program.

### **Q11. I am an HCV participant. What happens if the rent the owner charges for my unit is above the payment standard?**

If the rent the owner charges is above the payment standard, that difference would be added to the household's Stepped Rent to determine the monthly rent payment.

### **Q12. I am a resident of Public Housing. Will my monthly rent payment ever go above the rent I would pay for a similar unit on the private market?**

For Public Housing residents, the Stepped Rent will never go above the amount a household would pay for a similar unit in the local housing market, which is also called Flat Rent.

## **Household Income Calculations**

### **Q13. What income is used to calculate my monthly rent payment?**

A household's gross past income from a prior 12-month period is used to determine a household's Stepped Rent monthly payment for the first year. However, if the household is newly receiving housing assistance, then the household's current income is used to determine a household's Stepped Rent monthly payment for the first year. After the first year, a household's monthly rent payment will increase by a small amount every year. This small increase is called an annual Step Rent increase and is not related to household income.

### **Q14. Will my household income be adjusted to account for my expenses?**

Yes, the Stepped Rent monthly rent payment is set at 30% of the household's adjusted income (or the income minus any allowable deductions such as for childcare costs).

### **Q15. What income documentation will I need to provide?**

The documentation needed is different for households that are receiving housing assistance for the first time than for those that are recertifying their income.

- *For households that are newly receiving housing assistance:* current income has been calculated based on the information provided in the application.

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- *For households that already receive housing assistance and are having an income reexamination:* Households need to provide 12-months of prior income documentation. At Stepped Rent income reexamination appointment, the household is provided with a list of acceptable documentation and the date range the documentation needs to cover.

### **Q16. How often will I have regularly scheduled income reexaminations?**

Under Stepped Rent, households will only need to do an income reexamination and report updated income once every three years. However, these reexaminations are only to verify continued eligibility for housing assistance and do not affect the household's monthly rent payment.

## **Reporting on Changes**

### **Q17. What if my household composition changes between reexaminations?**

Households must report changes in who lives in the household (whether someone leaves the household, or someone joins) between income reexaminations. If someone joins the household and the change results in an increase in household income, that increase will not affect the household's monthly rent payment. If someone leaves the household and the change results in a financial burden due to a decrease in income, the household can request a temporary hardship reduction, which may result in a lower monthly rent payment.

### **Q18. What if my household income increases?**

Households do not need to report income increases between the 3-year income reexaminations and the household's monthly rent payment does not change as a result of household income increases after the first certification.

### **Q19. What if my household income decreases?**

Households do not need to report income decreases between the 3-year income reexaminations but if the household is facing a financial burden, the household may be eligible for a temporary hardship rent. (See *Hardships* section below).

## **Hardships**

### **Q20. What happens if I experience a financial hardship?**

If a household experiences a financial hardship, the monthly rent payment can be temporarily lowered.

### **Q21. What qualifies as a financial hardship?**

A household is eligible for a Stepped Rent hardship if the household's existing monthly rent payment is more than 40% of the household's current monthly adjusted income. Circumstances that could lead the household to qualify include:

- The household has had a decrease in income that makes the monthly rent payment more than 40% of current adjusted income.

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- The household has an increase in eligible childcare expenses that makes the monthly rent payment more than 40% of current adjusted income.
- The household's annual step increase makes the monthly rent payment more than 40% of current adjusted income.

Other circumstances, such as the following, may be considered when determining hardship eligibility:

- The household has experienced a death in the household that causes a financial hardship.
- The household has experienced a sudden increase in expenses (such as funeral costs or medical bills) that causes a financial hardship.

### **Q22. How do I apply to have my rent reduced due to a financial hardship?**

To request a hardship, the household must obtain, complete and submit a hardship request form (Form). Forms can be found on Kern's website, in the Moving to Work section, at PH management offices, or at the Central Office (CO) located at 601 24<sup>th</sup> Street, Bakersfield, CA 93301. The completed Form and supporting documentation can be mailed and/or delivered to Kern's CO or handed to the appropriate PH management office.

Depending upon the timing of receipt of a complete Form, Kern will either 1. suspend the stepped rent activity beginning the month following the household's hardship request or 2. make a retro-active correction to the stepped rent activity. Determination will be made as soon as possible and in most cases within fourteen (14) working days of receipt of all required documentation. If the request does not meet the hardship criteria, the stepped rent will resume and Kern may collect any TTP that was suspended upon the submission of the Form and other fees, if applicable, through a reasonable repayment agreement. If the request meets the hardship criteria, Kern will grant an Exemption.

Kern will notify those participant households subject to the stepped rent activity of their right to request an Exemption as part of the initial intake and triennial recertification processes. Kern's notification will advise the household that Exemption determinations are subject to its grievance procedures.

### **Q23. What will my monthly rent payment be if I qualify for a hardship?**

The temporary hardship monthly rent payment is set at 40% of your household's current adjusted income. Households may qualify for additional hardship considerations based on other qualifying circumstances such as a death in the family. The hardship duration is set based on each household's circumstances.

### **Q24. What happens when the period for my reduced hardship rent ends?**

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When the temporary hardship rent period ends, the household's monthly rent payment will return to what it would have been if the hardship had never occurred – including the addition of any step increase that would have taken place during that period.

However, if the household is still experiencing a financial hardship, it can request an extension by completing a new hardship request form. There is no limit to the number of times a household may be granted a hardship.

### **Q25. What happens if I experience an ongoing hardship?**

If a household has a hardship that lasts for 12 months in a row and the household's situation has not improved, the household may qualify for a Stepped Rent reset. A reset includes conducting a new income reexamination and establishing a new monthly rent payment based on 30% of your household's adjusted income from the prior 12 months.