



U.S. Department of Housing and Urban Development

Office of Inspector General

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MEMORANDUM FOR: Orlando Cabrera, Assistant Secretary for Public and Indian Housing, P
Brian D. Montgomery, Assistant Secretary for Housing-Federal Housing Commissioner, H

FROM: John P. McCarty, Assistant Inspector General for Investigation, GI

SUBJECT: College Student Section 8 Recipients
File: IED-06-0002

The Inspections and Evaluations Division conducts independent, objective examinations of Department of Housing and Urban Development (HUD) activities, programs, operations, or organizational issues.

We completed a limited review concerning college students living in Section 8 subsidized housing. We conducted the review in response to media and congressional attention and subsequent issuance of new regulations and policy guidance by HUD that restricted the eligibility of the students. The media had reported that taxpayer subsidized housing was being occupied by students to offset the high price of college. It also reported concerns by the National Low Income Housing Coalition that the college students were misusing HUD's Section 8 Program.

The objectives of our review were to determine: the extent of college student participation in the Section 8 program; and whether the public housing authorities and multifamily property owners had started certifying/recertifying college students under HUD's new regulations and policy guidance.

We determined that the public housing authorities (PHAs) and the multifamily property owners were not in full compliance of HUD's new regulations and policy guidance. We estimated that a substantial number of college students were using HUD's Section 8 program. However, we could not determine the exact extent of student participation because PHAs and/or some multifamily property owners did not solicit student status for all adult household members. In addition, the PHAs had not updated their administrative plans to incorporate HUD's new requirements for college students. Also, multifamily property owners either did not solicit or did not verify if college

students were independent from their parents and if their parents were income-eligible. Additionally, the owners did not verify the students' non-tuition portion of educational financial assistance.

BACKGROUND

The Section 8 housing program was created by Congress to provide rental payment assistance to low and very-low income persons or families. Under the Section 8 program, eligible tenants pay 30 percent of their adjusted income for rent. HUD pays the balance of the rent. Those who do not work and have no other source of income pay nothing. Prior to the issuance of new regulations in 2005, virtually any student regardless of his or her economic background was legally eligible to live free of charge, or at a greatly reduced price in Section 8 subsidized units.

On June 20, 2004, the Des Moines Register published an investigative story titled "Students Take Housing from Poor" in which it found that college students were eligible to live in subsidized or Section 8 apartment complexes. Under HUD's eligibility rules, the students were classified as low income. Therefore, any student, regardless of his or her income background was legally eligible for Section 8 assistance. Students' income under the eligibility rules did not include financial aid, parents' income and periodic assistance the students received from their parents.

In July 2005, Senator Tom Harkin, D-Iowa, introduced a bill requesting HUD to revise student eligibility rules for Section 8 assistance. On November 30, 2005, Congress revised the rules in the 2006 Appropriations Act, Section 327. On December 30, 2005, HUD published a final rule (FR-5036-F-01) implementing the revisions. The final rule became effective January 30, 2006. In brief, the law and final rule require that if a student is enrolled at an institution of higher education, is under the age of 24, is not a veteran, is unmarried and does not have a dependent child, is individually ineligible for section 8 assistance, or the student's parents are, individually or jointly, ineligible for assistance, no section 8 assistance can be provided to the student. Unless the student is determined independent from his or her parents, the eligibility of a student seeking Section 8 assistance will be based on both the student and the parents being determined income eligible for Section 8 assistance. In addition, the financial assistance of the student in excess of tuition will be included in annual income when determining the student's eligibility for Section 8 assistance, unless the student is over the age of 23 with dependent children.

SCOPE AND METHODOLOGY

To achieve our objectives, we selected tenant households from public housing authorities and multifamily properties located in the vicinity of Iowa City, Iowa; East Lansing, Michigan; Lincoln, Nebraska; and Blacksburg, Virginia.

We identified public housing authorities having jurisdiction over areas surrounding the University of Iowa, Michigan State University, the University of Nebraska, and Virginia Tech University. We extracted data from HUD's Public and Indian Housing Information Center (PIC) to identify possible college students (under the

age of 25 years). We selected all single heads of households born after January 1, 1981, as summarized below:

Public Housing Authority	Number of Households Selected
Iowa City Housing Authority	31
Lansing Housing Authority	27
Ingham County Housing Commission	0
Michigan State Housing Development Auth.	7
Lincoln Housing Authority	0
Roanoke Redevelopment and Housing Auth.	9
Virginia Housing Development Authority	31
Total	105

We identified all HUD-subsidized multifamily properties located within 30 miles of the University of Iowa, Michigan State University, the University of Nebraska, and Virginia Tech University. We extracted data from HUD’s Tenant Rental Assistance Certification System (TRACS) to identify possible college students. We selected for review all heads of households born after January 1, 1981, as summarized below:

Locality	Number of Properties	Number of Households Selected
Iowa City, Iowa	9	74
East Lansing, MI	20	115
Lincoln, Nebraska	7	16
Blacksburg, VA	22	177
Total	58	382

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION 1: Student Status Undetermined

We reviewed the documentation for 382 households at 58 HUD-subsidized multifamily properties. We determined 73 were students and 186 non-students. We could not determine the status for the remaining 123. As a result, college students who are ineligible under HUD’s new requirements may be improperly receiving Section 8 assistance. The details are as follows:

Locality	Households Reviewed	Students	Student Status Unknown	Other
Iowa City, Iowa	74	24	24	26
East Lansing, MI	115	14	53	48
Lincoln, Nebraska	16	7		9
Blacksburg, VA	177	28	46	103
Totals	382	73	123	186

Six of the seven PHAs did not obtain information from tenants regarding their student status. For the 105 potential student households reviewed, we could not determine student status for 74 households.

OBSERVATION 2: Administrative Plans Not Revised

Three of the seven PHAs did not revise their administrative plans to incorporate new HUD requirements concerning college students. The remaining four revised their plans but failed to address all of the new requirements.

Notice FR-5036-N-02 states that PHAs must immediately update their Administrative Plans to reflect the new income eligibility restrictions for students.

OBSERVATION 3: Students Independence Undetermined

Federal Register Notice Number FR-5036-N-02 requires verification of a student’s independence from his or her parents for exclusion of the parent’s income in determining the student’s eligibility for assistance. In determining independence, the following must be considered: (1) review and verification of previous address to ensure separate household; (2) review of prior year tax returns to verify if a parent or guardian has claimed the student as a dependent; and (3) verification of income provided by a parent by requiring a written certification from the individual providing the support. Certification is also required if the parent is providing no support to the student.

From our review of the documentation received from multifamily property owners, we identified that there were definitely 73 college student households residing at 17 properties. Thirteen of the 17 properties either did not solicit or did not verify information regarding tax dependent status, parental income, or parental support. Three required certifications regarding financial support provided to the student, and only one property required certifications from the student’s parents regarding tax dependent status, family income, and financial support provided to the student. As a result, college students who are ineligible under HUD’s new requirements may be improperly receiving Section 8 assistance.

OBSERVATION 4: Income Eligibility of Parents Undetermined

According to Federal Register Notice Number FR-5036-N-02, Section 327(a) of the Act sets up a two-part income eligibility test for a student under the age of 24 who is not a veteran, is unmarried, does not have a dependent child, and who is seeking Section 8 assistance. Both parts of the test must be affirmatively met. Both the student and the student's parents (the parents individually or jointly) must be income eligible for the student to receive Section 8 assistance. If it is determined that the parents are not income eligible, the student is ineligible to receive Section 8 assistance.

None of the multifamily property owners properly determined whether the student's parents were income-eligible for Section 8 assistance. Sixteen of the 17 properties did not require any information from the parents regarding family income or family composition. One property required certifications from the student's parents regarding family income, but the parents were not asked about family size. As a result, college students who are ineligible under HUD's new requirements may be improperly receiving Section 8 assistance.

OBSERVATION 5: Non-Tuition Financial Assistance Undetermined

Notice PIH 2005-16(HA), issued June 15, 2005, Paragraph 5 states that the portion of any athletic scholarship assistance available for housing costs be verified with the third party income source and included in the determination of family adjusted income.

According to Notice FR-5036-N-02, the financial assistance of the student in excess of tuition will be included in annual income when determining the student's eligibility for Section 8 assistance, unless the student is over the age of 23 with dependent children.

Eight of the 17 properties did not verify any financial assistance received by the students. Three did not verify the non-tuition portion of financial assistance and only 6 of the 17 properly verified non-tuition financial assistance.

For example, three student athletes living at one multifamily property received a stipend for housing. The property manager only verified with the Athletic Department that a stipend was received. The amount of the stipend was not determined and no amount of the scholarship assistance was included in the students' income.

Recommendations

We recommend that the Assistant Secretary for Public and Indian Housing issue directives that require public housing authorities to:

1. solicit part-time and full-time student status information for all adult household members and input this information into the Public and Indian Housing Information Center (PIC); and
2. update their administrative plans to incorporate new HUD requirements concerning college students.

We recommend that the Assistant Secretary for Housing issue directives that require multifamily property owners to:

1. solicit part-time and full-time student status information for all adult household members and input this information into the Tenant Rental Assistance Certification System (TRACS);
2. obtain documentation from students' parents regarding the students' tax dependent status and support provided by parents in determining whether the students are independent from their parents;
3. verify Section 8 income-eligibility for parents of dependent college students; and
4. verify the amount of non-tuition financial assistance received by students.

Acknowledgements

The report was prepared under the direction of John P. McCarty, Assistant Inspector General for Investigation.

The assignment was supervised by Michael Groszkiewicz, Special Agent in Charge, Inspections and Evaluations Division, Office of Investigation.

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