PUBLIC VERSION

ESG Homelessness Prevention: Rental Arrears Assistance

Technical Assistance Guidance

Alabama Rural Coalition for the Homeless (ARCH) | August 18, 2026

Purpose

This Technical Assistance Guidance is being provided as a follow-up to the Coordinated Entry (CE) call held on August 18, 2026, during which ESG Homelessness Prevention eligibility and the use of ESG funds for rental arrears were discussed.

The purpose of this guidance is to provide additional clarification regarding the documentation that should be maintained when ESG Homelessness Prevention funds are used to assist an eligible household with rental arrears. Specifically, this guidance addresses the distinction between a household owing past-due rent and a household meeting HUD's eligibility requirements for ESG Homelessness Prevention assistance.

Rental arrears may be an eligible ESG expense; however, the existence of rental arrears alone does not establish ESG eligibility. The case file must document the household's eligibility for Homelessness Prevention assistance before ESG funds are used to pay an eligible cost.

The sections below walk through that full framework: what HUD requires, what ADECA requires, and what ARCH recommends as good documentation practice.

How to read this bulletin

HUD REQUIRED a federal rule under 24 CFR Part 576. Not optional; ADECA and HUD monitor against it.

ADECA REQUIRED Alabama's ESG grant administrator's own submission/process requirement. Confirm current form and format with ADECA.

ARCH RECOMMENDED PRACTICE a practical habit ARCH recommends to keep a file monitoring-ready. Not itself a federal or state citation.

1. Rental Arrears ≠ ESG Eligibility

BEING BEHIND ON RENT ALONE DOES NOT ESTABLISH ESG HOMELESSNESS PREVENTION ELIGIBILITY.

Arrears tell you what a household wants ESG to pay. They do not tell you why the household is ESG-eligible. Income, an at-risk/homeless category, and a lack of resources have to be documented independently.

HUD REQUIRED Eligibility must be established BEFORE ESG funds are paid, not reconstructed afterward to justify a payment already made.

2. Who Can Qualify?

A household qualifies for ESG Homelessness Prevention through one of two pathways:

- Meets HUD's "at risk of homelessness" definition (no separate homeless-category test required); OR
- Meets homeless Category 2, 3, or 4, AND has annual income below 30% of area median income.

Households who are already literally homeless under Category 1 are typically served through Emergency Shelter or Rapid Re-Housing, not Homelessness Prevention. The full category breakdown:

Category	Plain-Language Description
Category 1 Literally Homeless	Lacking a fixed, regular, and adequate nighttime residence: living in a shelter, on the street, or in a place not meant for habitation, or exiting an institution after 90 days or less of a temporary stay. (Generally served by Shelter/Rapid Re-Housing, not Prevention.)
Category 2 Imminent Risk of Homelessness	Will lose their primary nighttime residence within 14 days, has no subsequent housing identified, and lacks the resources or support networks needed to obtain other permanent housing.
Category 3 Homeless Under Other Federal Statutes	Unaccompanied youth or families with children/youth defined as homeless under other federal statutes, who have not had a lease in the past 60 days and have moved 2 or more times in that period.
Category 4 Fleeing/Attempting to Flee DV	Fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking, with no other residence and no resources or support networks to obtain other permanent housing.
At Risk of Homelessness	Income below 30% of area median income, AND lacks sufficient resources or support networks, AND meets at least one qualifying condition (notice to vacate within 21 days, doubling up due to hardship, 2+ moves in 60 days, overcrowding, exiting an institution, hotel/motel stay, or another CoC-identified risk factor). This is the category ESG Homelessness Prevention primarily serves.

24 CFR 576.2 (definitions of "homeless" and "at risk of homelessness"); 24 CFR 576.103(a) (Homelessness Prevention eligible participants)

Overcrowding and Hotel/Motel, Defined

Two of the qualifying conditions above are commonly misread by staff. HUD defines them narrowly:

- HUD REQUIRED Overcrowding does not simply mean several people are living in the household. For housing other than a single-room-occupancy (SRO) or efficiency unit, HUD defines this criterion as more than 1.5 persons per room. For an SRO or efficiency unit, more than two persons must occupy the unit.
- HUD REQUIRED Hotel/Motel means the household is currently living in a hotel or motel, and the cost of that stay is not being paid by a charitable organization or by a federal, state, or local government program for low-income individuals.

24 CFR 576.2, definition of “at risk of homelessness”

DO NOT ASSUME ELIGIBILITY

A household is not automatically “at risk of homelessness” simply because:

- They are behind on rent;
- Several family members live in the home;
- The household reports being overcrowded;
- They are staying in a hotel/motel; or
- They are experiencing financial hardship.

Staff must determine and document which specific HUD criterion the household actually meets.

Lease Violations

ARCH RECOMMENDED PRACTICE Having unauthorized household members or another possible lease violation does not automatically establish ESG Homelessness Prevention eligibility. Staff should determine whether the household actually meets a HUD eligibility criterion and obtain the appropriate supporting documentation. Do not assume that a possible lease violation means the household will lose its housing.

3. Eligibility Determination Flow

Income Eligible → At-Risk/Homeless Category → Lacks Resources/Support → Assistance Necessary → Eligible ESG Cost → Document & Pay

Reflects the evaluation sequence required by 24 CFR 576.401(a)

4. Three Questions Staff Should Answer

- **ARCH RECOMMENDED PRACTICE** What specific HUD eligibility condition does this household meet, and what documentation in the file proves it?
- **ARCH RECOMMENDED PRACTICE** Why can't the household resolve the crisis without ESG? (What resources or support were checked and ruled out?)
- **ARCH RECOMMENDED PRACTICE** Why is this particular ESG assistance necessary to stabilize the household? (Does paying it actually fix the problem?)

HUD requires an initial evaluation of both eligibility and the type and amount of assistance needed; these three questions are ARCH's plain-language way of making sure that evaluation actually happened and is documented.

24 CFR 576.401(a)

5. Rental Arrears Documentation Checklist

- **HUD REQUIRED** Exact amount owed.
- **HUD REQUIRED** Specific months the arrears cover.
- **HUD REQUIRED** Landlord verification, such as a rent ledger, account statement, or similar record.

- **HUD REQUIRED** A lease, or (arrears-only) an oral agreement that gives an enforceable leasehold interest under Alabama law and is documented through the owner's financial records, ledger, or canceled checks.
- **HUD REQUIRED** Documentation showing ESG assistance is necessary, tying back to the housing stability assessment in Section 7.

ESG recognizes rental arrears as an eligible Homelessness Prevention cost, capped at a one-time payment of up to six months of rent in arrears, including late fees.

24 CFR 576.106(g); 576.106(d)

6. Housing Requirements

Even when a household is otherwise ESG-eligible, the housing itself has to clear its own requirements before ESG rental assistance, including arrears, is paid.

Habitability Standards

HUD REQUIRED The unit generally must meet HUD's minimum habitability (housing quality) standards, covering structural soundness, water supply, sanitation, ventilation, heating/cooling, and electricity. Importantly, this standard applies even when the household is remaining in its current unit and Prevention is only paying arrears; the requirement is not limited to households moving into a new unit.

24 CFR 576.403; 24 CFR 5.703

Rent Reasonableness (Where Applicable)

HUD REQUIRED Where the agency is setting or verifying an ongoing rent amount, the rent charged cannot exceed HUD's Fair Market Rent (FMR) for the area and must be reasonable compared to similar, unassisted units, factoring in unit rent, required occupancy fees, and any utility allowance.

24 CFR 576.106(c), applying the standard at 24 CFR 982.507

Lease and Rental Assistance Agreement

HUD REQUIRED A legally binding written lease is generally required. For arrears-only assistance, an oral agreement may substitute if it grants an enforceable leasehold interest under Alabama law and is properly documented. Separately, the agency (or subrecipient) generally needs its own written rental assistance agreement with the owner, covering payment terms, due dates, grace periods, and the owner's obligation to report any eviction notice.

24 CFR 576.106(a), (d), (e)

Lead-Based Paint

HUD REQUIRED Lead-based paint requirements apply to all ESG financial assistance, including arrears-only payments. A visual assessment is required when the unit was built before 1978 and a child under age six lives in or will live in the unit. Separately, a lead-based paint disclosure form and the “Protect Your Family from Lead in the Home” pamphlet are required for all pre-1978 units regardless of whether a young child is present.

24 CFR 576.403(a); 24 CFR Part 35

No Prohibited Payments / Duplication of Assistance

HUD REQUIRED Confirm ESG is paying an allowable amount to an eligible landlord, with no ownership or family relationship that would create a conflict of interest, and that the household is not receiving the same type of assistance for the same time period from another public source. HUD allows a specific exception for six months of a tenant's portion of arrears, but this needs to be checked and documented, not assumed.

24 CFR 576.404

7. Housing Stability Plan

This is especially important for arrears cases. Paying $1,500 in arrears does not solve the problem if the household cannot afford next month's rent.

HUD REQUIRED ESG requires housing stability case management, including monthly contact and a plan to help the household retain permanent housing after ESG assistance ends. Providers must also help connect the household to mainstream resources (such as SNAP, Medicaid, unemployment insurance, or SSDI) as part of that plan.

24 CFR 576.401(d), (e)

ARCH RECOMMENDED PRACTICE Document the answer to a specific, practical question: “After ESG pays the arrears, how will the household reasonably maintain the rent going forward?” A file without an answer to that question has not really established that assistance is necessary and sufficient.

8. Reevaluation

HUD REQUIRED If a household continues receiving Homelessness Prevention assistance, eligibility (income and resource/support gap) must be reevaluated not less than once every three months for as long as assistance continues.

24 CFR 576.401(b)

9. Special Note: Arrears-Only Assistance

If a household is only receiving arrears (no ongoing/forward rental assistance), a few things work differently, and this is where files most often fall short:

- **HUD REQUIRED** The written-lease requirement has an explicit oral-agreement exception, but only if the oral agreement and amount owed are properly documented through the owner's records.
- **HUD REQUIRED** Habitability standards and lead-based paint requirements still apply, even though the household is remaining in its current unit. There is no arrears-only exception for either one.
- **HUD REQUIRED** Arrears assistance is capped at a one-time payment of up to six months, including late fees, and counts against the household's overall 24-month ESG assistance limit within any 3-year period.
- **HUD REQUIRED** Arrears-only assistance does not relax Sections 3 through 6 above (income, at-risk category, lack of resources, necessity). Those still have to be documented regardless of whether the assistance is arrears-only or ongoing.

10. Alabama-Specific (ADECA) Layer

In addition to the HUD requirements above, ADECA (as Alabama's ESG grant administrator) generally expects subrecipients to:

- **ADECA REQUIRED** Maintain written standards for evaluating and re-evaluating eligibility, and apply them consistently to every participant.
- **ADECA REQUIRED** Use the CoC's centralized or coordinated entry system for referrals, except where a victim service provider is exempt.
- **ADECA REQUIRED** Submit the Prevention/Re-Housing Documentation Checklist with each request for payment for Prevention or Rapid Re-Housing activities.
- **ADECA REQUIRED** Include a confidential list of program participants served, pulled from HMIS (or a comparable database for victim service providers), with each payment request.

ADECA's policy manual and forms are the controlling reference for exact checklist contents, submission format, and any Alabama-specific documentation thresholds, since these can be updated between program years.

The File Should Tell the Story

Eligible → At Risk → Needs Assistance → ESG Intervention → Housing Stability

If a reviewer can follow that line through the file, from eligibility to the specific ESG cost paid to what happens after, the file is monitoring-ready. If any link is missing, that is the gap to close before payment is made, not after.

Alabama Rural Coalition for the Homeless (ARCH) provides this technical assistance as a resource to agencies participating in the AL-507 Continuum of Care. Because ADECA is Alabama's ESG grant administrator, please defer to ADECA to verify this information and confirm current program-year requirements before finalizing agency policy or a specific payment decision.