

# The CA Quarterly Review



## Assisted Housing Services Corporation Spring 2014

Welcome to AHSC's Spring 2014 newsletter. Our goal is to provide Section 8 stakeholders with useful information about changes to Section 8 policies, regulations and recent HUD news.

If you are not already receiving this publication via e-mail or if you have ideas, suggestions for future publications or questions, we'd like to hear from you.

Please write to us at:  
kathe-

### In this Issue:

Contact Center	1
S8 Renewal Guide Proposed Changes	2
TRACS Rules of Behavior	3
Financial Statement Extension	4
What's New on HUDclips?	4
Calculating Surplus Cash	5
Proposed Changes in RCS Determinations	6
TRACS 202D Update	8

### AHSC's Contact Center

AHSC understands that it can be challenging to balance the many tasks associated with day-to-day site operations all while keeping abreast of the changes to HUD rules and regulations for project-based, Section 8 housing. The knowledgeable and experienced representatives at AHSC's Contact Center are available to assist you, your site staff and your community residents with any questions or concerns related to Section 8 housing.

Our goal is to provide you with the highest caliber of service in a way that ultimately benefits those persons in need of housing. We recognize that you, our owners, and management agents, strive to meet the needs of your tenants and we hope our Contact Center helps you in that effort.

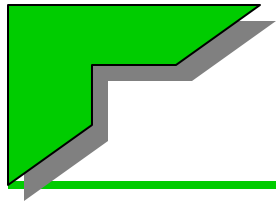
When you need assistance you can contact us using any of the numbers below:

- **Toll Free:** 877-506-3552
- **English TTY:** 1-800-750-0750
- **Spanish TTY:** 1-800-546-7111
- **Fax:** 614-985-1502

Hours of operation are Monday through Friday, 8:00am to 5:00pm.



AHSC Call Center Staff



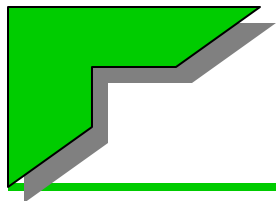
## Proposed Changes to the Section 8 Renewal Guide Posted

Proposed changes to the Section 8 Renewal Guide were posted on HUD's website on February 28th. This posting, open for comment until April 30, contains changes to renewal processing that impact both Owners and PBCAs. Many of these changes are related to when an RCS is and is not required; terminating contracts early to participate in Mark Up to Market program; requesting zero budget increases; processing Auto-OCAFs; prepayment of FHA loans in the preservation program; rules for 515 properties and guidance on prepayment of Old Regulation State Housing Finance Agency projects. Below is an overview of a few of the proposed changes:

- New provisions for terminating a non-MAHRA contract early and the available options for renewal
- No longer requiring an owner with a RCS that expires prior to a multiyear contract's five-year life cycle to obtain another RCS until the time when the multiyear contract reaches the end of its five-year life.
- The term of the Section 8 contracts and the ability to use 20-year contracts.
- Allowing nonprofit owned projects with 100 percent Section 8 to include a vacancy rate of 3 percent in the budget.
- Allowing projects with low income housing tax credits to include in their budget the cost of the annual compliance reports that must be submitted to the tax credit allocation entity.
- Allowing owners to request zero budget-based rent adjustments.
- Allowing owners of Option Four projects who submit a zero budget-based rent adjustments to do so without a Rent Comparability Study (RCS).
- Allowing owners of Section 515/8 projects who submit budgets that result in rents that will be less than the OCAF adjustment to do so without a RCS.
- Adding language describing the procedure for the Auto-OCAF.
- Clarifying that Section 245 Tenant Notifications are not required for OCAF rent adjustments but is required for budget based rent adjustments or for any adjustment where the utility analysis results in a possible decrease in the utility allowance.
- Adding language that allows the termination of a non-MAHRA contract at any time in order to participate in MUTM with certain conditions.
- Adding language detailing the notification requirements when an owner desires to prepay an FHA mortgage in the Preservation Program.
- Adding language that HUD may refuse to renew a contract if the poor condition of the project cannot be remedied in a cost effective manner.
- Adding language that allows an owner of a 515/8 project to submit a "0" increase budget or a budget that results in rents below what would have been achieved using the OCAF adjustment, without the need for a RCS.
- Adding a new Chapter 16 "Old Regulation" State Housing Finance Agency Projects – Owner Options upon Full Prepayment of Original, Permanent Financing" that describes the options owners have when they prepay a state agency financed loan on a project with an "old reg" Section 8 contract

**This represents only a partial list of the changes HUD has proposed. To view the changes in their entirety, please go to: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/mfhsec8](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8).**

Click on the link as illustrated on the next page.



# The CA Quarterly Review



MONDAY, MARCH 10, 2014

**HUD.GOV**  
U.S. Department of Housing and Urban Development  
Secretary Shaun Donovan

Connect with HUD  
RSS Facebook YouTube Twitter  
Información en Español  
Site Map A-Z Index Text A A A Search

HOME PRESS ROOM AUDIENCES STATE INFO PROGRAM OFFICES TOPIC AREAS ABOUT HUD RESOURCES CONTACT US

Housing Home | About Us | Single Family | Healthcare Programs | Multifamily | Housing Counseling | Online Systems | Risk Management

HUD > Program Offices > Housing > Multifamily > Multifamily Housing - Section 8 Expiring Contracts

## Section 8 Contracts

Print Friendly Version SHARE

### What's New!

- Project-based rental assistance in the FY2013 Budget proposal.
- Call or email the Section 8 Project Based Contract Renewal Help Desk Contacts with Your Questions
- Worksheets for Mark-Up-To-Market (Option 1)
- Contract Renewal Request Form HUD form 9624
- Instructions

- Revised Section 8 Renewal Policy Guide - for Public Comment (February 28, 2014)
- Instructions for submitting comments on Section 8 Guide

Anyone interested in making comments should submit those comments by April 30, 2014. Send them electronically to [Section8RenewalGuide@hud.gov](mailto:Section8RenewalGuide@hud.gov) or via mail to the Department of Housing and Urban Development, Attention: Section 8 Renewal Guide, 451 7th Street, SW., Room 6134, Washington, DC 20410 -0500.

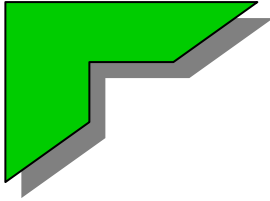
Comments must specifically identify the section number, page, and paragraph number to which they refer.

## Clarification to Owners/Agents TRACS Rules of Behavior (ROB)

### External Users

The Rules of Behavior (ROB) for the Tenant Rental Assistance Certification System (TRACS) and Multifamily Enterprise Income Verification (MF EIV) System are being sent erroneously to HUD by external users (project owners, management agents, contract administrators, service bureaus, and coordinators with M-ids or I-ids).

The TRACS Rules of Behavior (ROB) instructions require external users to *print, sign and file the ROB*. Please do not fax or email ROB to HUD. Please file your signed copy of the ROB at your site, and retain for audit purposes.



# The CA Quarterly Review



## Owners with December 31, 2013 FYE Given Extension

The Office of Housing has authorized a global 30-day extension to all owners with fiscal years ended 12/31/13. This extension is being offered to allow owners and auditors additional time to adapt to the requirements of Housing Notice H 2013-23, and the FASSUB system release on December 6, 2013, that implemented revisions to the HUD Consolidated Audit Guide, Handbook 2000.04. Submissions with fiscal years ended 12/31/13 will now be due on **April 30, 2014**.

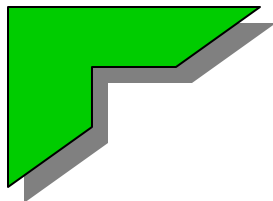
Housing Notice H2013-23 was issued on August 8, 2013. This notice allows profit-motivated and limited distribution owners that receive less than \$500,000 in federal financial assistance to submit owner-certified financial statements instead of audited financial statements. The FASSUB system is scheduled to be updated on February 14, 2014 to accommodate these submissions. If you are submitting an owner-certified financial statement for a project that falls under these guidelines you will not be able to begin the submission process until after the new system release in February.

A copy of Notice H2013-23 can be found on the HUD Multifamily website at:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/notices/hsg](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg).

### What's New on HUDclips

<i>Posted Date</i>		
2/28/14	<a href="#"><u>RHIIP Posting #311</u></a>	<b>Revised Section 8 Renewal Policy Guide Posted for Public Comment</b>
2/28/14	<a href="#"><u>FR-5752-N-24</u></a>	<b>30-Day Notice of Proposed Information Collection: Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking</b>
2/18/14	<a href="#"><u>FR-5749-N-01</u></a>	<b>FY 14 Annual Adjustment Factors (AAF)</b>
1/23/14	<a href="#"><u>HUD Form 935-2A</u></a>	<b>Affirmative Fair Housing Marketing Plan</b>



## Change in Calculation of Surplus Cash for Some Projects

Some owner/agents will change the way they calculate surplus cash based on new regulatory agreement requirements. The change applies to multifamily housing projects that meet **all three criteria**:

- Insured under FHA
- Firm commitment issued on or after September 1, 2011
- Under Regulatory Agreement form HUD 92466M, REV. 4/11

The new regulatory agreement that was revised in 2011 changes the definition of surplus cash. For projects that meet the above criteria, HUD has made a change to the *Schedule of Surplus Cash*. The owner will now subtract from cash the principal payment and reserve for replacements deposit due in the next month. However, if principal or reserves are prepaid, they need not be offset. As before, interest continues to be a deduction from surplus cash.

In the new release of FASS-FHA on December 6, 2013, the definition of line item *S1300-110—Other Current Obligations* clarifies that the requirement above applies to properties under the new Regulatory Agreement. [Information about the release and links to the new User Guide.](#)

The revised regulatory agreement can be found here: [Word](#).

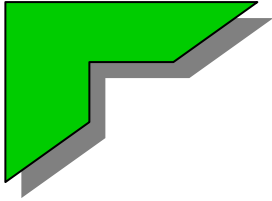
## HUD RELEASES PROPOSED FY2015 BUDGET

HUD Secretary Shaun Donovan unveiled HUD's fiscal year 2015 budget proposal. This year The President's Budget provides a roadmap for accelerating economic growth, expanding opportunity for all Americans, and ensuring fiscal responsibility. The Budget adheres to the 2015 spending levels agreed to in the Bipartisan Budget Act and shows the choices the President would make at those levels. But it also shows how to build on this progress to realize the nation's full potential with a fully paid for \$56 billion Opportunity, Growth, and Security Initiative, split evenly between defense and non-defense priorities. [Read HUD's proposed FY 2015 budget.](#)

HUD's budget is an essential component of the President's vision of investing in the things we need to grow our economy, create jobs, increase skills training and improve education – while continuing long term deficit reduction. The budget focuses on four key principals:

- Driving Economic Growth by Increasing Access to Credit and Strengthening the Federal Housing Administration;
- Providing Opportunity by Restoring and Increasing Assistance to Vulnerable Families;
- Creating Growth and Opportunity through Key Initiatives; and
- Ensuring Fiscal Responsibility and Increasing Efficiency.
-





## HUD Proposes Changes in RCS Determinations

On February 28, 2014 the Department posted the draft revised Section 8 Renewal Policy Guide for public comment. The Section 8 Renewal Policy Guide is HUD's comprehensive guidance for renewing expiring Section 8 contracts.

As part of these revisions and as described in the SUPPLEMENTAL INFORMATION section, HUD is also advising the public that Section 9-23 of the Section 8 Renewal Policy Guide describes HUD's proposed revision to address when rents in a Rent Comparability Study (RCS) exceed 110 percent of the median gross rent by zip code.

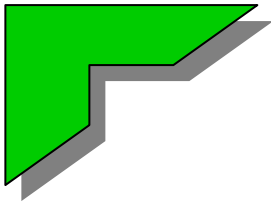
### SUPPLEMENTAL INFORMATION

With the enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA)( 42 U.S.C. 1437f note), Congress authorized the renewal of expiring contracts for project-based rental assistance issued under Section 8 of the United States Housing Act of 1937. MAHRA requires that, to the extent possible, renewal rents be comparable to unsubsidized rents in the area where the project is located. To this end, MAHRA further provides HUD with broad authority to prescribe the method for determining comparable market rent by comparison with rents charged for properties that are comparable as to neighborhood, type of location, access, street appeal, age, property size, apartment mix, physical configuration, property and unit amenities, utilities, and other relevant characteristics. Following the enactment of MAHRA, HUD published the Section 8 Renewal Policy Guide, Chapter Nine of which requires the preparation of a RCS as the method for determining comparability. Chapter Nine of the Section 8 Renewal Policy Guide also provides instructions on how a RCS is to be prepared and reviewed.

Research by the Department has shown that market rent estimates, as determined by an owner's RCS, are often higher than market rent estimates, as determined by a RCS secured by the Department. In May 2012, the Department issued new guidance to require appraisers to provide additional justification if the gross rent potential in the RCS exceeded 110 percent of the Fair Market Rent (FMR) in rural areas or the Small Area Fair Market Rent (SAFMR) in urban areas.

The Department's industry partners provided significant feedback regarding this new guidance, citing policy and technical concerns. In light of these considerations, the Department suspended implementation of the guidance in order to more thoroughly consider how best to address the Department's concerns regarding rent levels reflected in owner's RCSs.

...Continued on next page



# The CA Quarterly Review



After further consideration, including consultation with HUD's Office of Policy Development, and Research (PD&R), the Department proposes to implement a revised benchmark against which owner RCS rents can be assessed. As a preliminary matter, the Department believes the most reliable benchmark is a market-based, rather than a FMR-based, measure. Further, HUD believes that the most comprehensive market-based benchmark would be median gross rents, as determined and as published by the United States Census Bureau or some other comparable source. HUD considers these rents comprehensive because they are available for every zip code within the United States.

The new guidance would require a comparison of the rents in the RCS to a market-based benchmark (i.e., median rent estimates published by the United States Census Bureau or other comparable source), should RCS rents exceed 110 percent of the median rents for the zip code area. Should this be the case, HUD will order a third party RCS and undertake a comparison of the RCSs.

**Section 9-23 of the Section 8 Renewal Policy Guide** provides the following information to determine the median gross rent and how comparable rents will be determined.

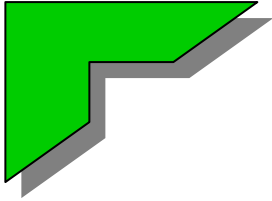
Access the American FactFinder tool found here:

<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>

Use the following instructions when determining rents with the use of the Median Gross Rent By Zip Code Tabulation Area:

- Click on "Advanced Search."
- In the box labeled "Topic or Table Name" enter "B25064."
- Click "Go."
- From the drop down list, click on "2011 ACS 5-Year Estimates." For years after 2013, click on the most recent ACS 5-Year Estimate)
- Move to the left Navigation column and click on "Geographies"
- Select "5-Digit ZCTA (ZIP Code Tabulation Area)
- Select the state where the project is located
- Select the ZIP Code where the project is located.
- Click "Add to Your Selection."
- Click close in the upper right hand corner of the "Select Geographies" box.
- Make sure the box titled "Dataset" reads "2011 ACS 5-Year Estimates"
- Click on "MEDIAN GROSS RENT (DOLLARS) in the "Table, File or Document Title" box.
- The Median Gross Rent for the specific zip code should display in the small box in the middle of the page.

..Continued on next page



## HUD Proposes Changes in RCS Determinations (continued)

Upon determining the median gross rent for the zip code, the appraiser will then compare that number with the median rent as determined by the RCS. If the median rent in the project's RCS exceeds 110 percent of the "Gross Rent By Zip Code Tabulation Area," then HUD will use the following process to establish comparable market rents.

**Differences in Comparability Studies.** There are no negotiations allowed nor is there an appeal process when there are differences between comparability studies. When the HUD comparable gross rent potential is greater than the Owner's comparable gross rent potential, the final comparable market rents will be the Owner's comparable market rents.

When the HUD comparable gross rent potential is less than the Owner's comparable gross rent potential, if the Owner's comparable rent potential is

- less than 105% of the HUD comparable rent potential, the final comparable market rents will be the Owner comparable market rents;
- greater than or equal to 105% of the HUD comparable rent potential, the final comparable market rents will be 105% of the HUD comparable market rents.

## TRACS 202D Update

We in the industry have anticipated the launch of TRACS 202D and the multiple changes related to forms, rules and even software upgrade; however, HUD has not yet posted a "Go Live" date. On the TRACS website [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/trx/trxsum](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/trx/trxsum) located under the "What's New" heading you will find the link to the **Final Industry Specification Documents**. These are the latest proposed TRACS 202D changes which include:

HUD Form changes (52670- part 2,3,6, 52671A, 50059, 50059-A)  
MAT User Guide Chapter updates  
202D Calculation Spreadsheets  
Special Claim updates

TRACS will also be getting an update to Error Messages. We encourage you to take the time to review these documents in preparation for this new industry update. Each software vendor will have their own specific roll out plans so please watch for any update information from them directly. AHSC will keep you posted on additional updates and a "202D Go Live" date as we learn more.