

Practical Points

August 2012

From

PMCS-ICAP

Services and Solutions for Properties of All Sizes

New Income Exclusions: Update your 4350.3

HUD published “Federally Mandated Exclusions from Income” (Docket No. FR-5635-N-01) in the *Federal Register* on July 24, 2012. Be sure to update Exhibit 5-1 (Income Inclusions and Exclusions) in your copy of the 4350.3. HUD will need to update all the FACT sheets, 4350.3 Chapter 5 paragraph 5-6 R and examples etc.

HUD’s regulations require HUD to periodically publish a *Federal Register* notice listing the type of income that’s specifically excluded, by any Federal statute, from the 50059 income calculations. This Notice updates the list of federally mandated exclusions last published on April 20, 2001 (66 FR 20318). Although the list includes everything (including the items remaining from the last list) we’ve just listed the changes here, along with their official (Roman numeral) paragraph numbers:

These exclusions were added:

1. Assistance from the School Lunch Act and the Child Nutrition Act of 1966 (42 U.S.C. 1771), *xviii*;
2. Payments from the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f), *xix*;
3. Payments from any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts, *xx*;
4. Compensation received by or on behalf of a veteran for service-connected disability, death, dependency or indemnity compensation, only under programs authorized under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4101 et seq.) and administered by the Office of Native American Programs, *xxi*; and
5. A lump sum or a periodic payment received by an individual Indian, pursuant to the Class Action Settlement Agreement in the United States District Court case entitled *Elouise Cobell et al. v. Ken Salazar et al*, *xxi*.

These exclusions were removed, because they were repealed by Congress:

1. Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552(b)).
2. Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran.

A copy of the Notice may be found here: <http://www.gpo.gov/fdsys/pkg/FR-2012-07-24/pdf/2012-18056.pdf>

REAC Holiday Hours and FASSUB User Guide Changes

REAC has released its holiday hours and has requested that inspectors not schedule or conduct inspections on a federal holiday or on a weekend. They also requested that the following dates be “blacked out” for inspections: November 19-23, 2012 and December 17, 2012 to January 1, 2013. The REAC office will remain open with the exception of the above holiday dates. Find details here:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/reac/products/prodpass

The **Industry User Guide for the Financial Assessment Subsystem - Multifamily Housing (FASSUB)** has gone through 2 recent revisions – the first was effective 4/27/2012, and the latest is effective 7/27/2012 (Release 7.1.8.0).

Here are some of the changes made with these recent releases:

1. Account S3600-015 was added to appendixes E and F.
2. Account S3600-020 was renamed from “Reportable Conditions Indicator” to “Significant Deficiencies”.
3. The Editing and Business Rules for account 5120 were changed.
4. The account definition/reporting reference for accounts 5300 and 6900 was changed.
5. Account number S2100-200 was added for the reporting of the management letter.

See the latest revision here: http://www.hud.gov/offices/reac/products/fass/fassmf_guide.cfm

REAC Top Twenty Deficiencies

There could be a significant increase in your overall inspection score if you make sure the following maintenance items are checked prior to an inspection. Remember, a REAC inspection is a “snapshot in time” of your property - even if you’re in the midst of correcting major problems. You can always file an appeal if you feel that the inspection is wrong.

1. **Water Heater** - the pressure relief valve discharge tube extends to within 18 inches of the floor.
2. **Misaligned Chimney** - the vent stack on gas-operated water heaters or furnaces are properly aligned.
3. **Missing HVAC Covers** - there are covers on all baseboard heaters.
4. **Access to the Electrical Panel** - access to the electrical panels is not blocked by furniture or other items not easily removed.
5. **Missing Covers** - electrical panels that have interior covers (aside from the panel lid box itself) to prevent exposure from the wire connections are in place.
6. **Open Breaker/Fuse Ports** - open breaker/fuse ports are covered.
7. **Doors Damaged Seals** - the factory-installed seals on exterior doors, such as building or unit doors, are in place and undamaged.
8. **Doors Damaged Hardware** - exterior door hardware locks or latches properly and fire doors function as designed.
9. **Security Doors** - security doors **do not** have dual-side key locks.
10. **Kitchen** - stove burners are working.
11. **Plumbing** - pipes and faucets are not leaking, and areas around any leaks are cleaned up and repaired.
12. **Damaged Sinks/showers** - any hardware problems are repaired, diverters are working, drains have stoppers, hot and cold water handles are in place and working.
13. **Clothes Dryers** - are properly vented to the outside from units or laundry rooms.
14. **Storm Water Sewers** - are not clogged with trash or leaves.
15. **Sanitary Sewer with Damaged Covers** - caps located in the grass on the exterior of the building that have been damaged by a lawn mower are cleaned out and repaired.
16. **Trash Chutes** - hardware is in place and the chute door closes properly.
17. **Trash Receptacles** - are not overflowing and are adequate in size for the property.

18. **Auxiliary Lighting** - the backup lighting works even when the test light does not work.
19. **Leaking Domestic Water** - there are no leaks in the domestic water supply, including the hose bibs located on the exterior of the building.
20. **Outlet and Switch Plate Covers** - are not cracked or broken.

Find more information at: <http://www.hud.gov/offices/reac/products/pass/top20.pdf>

Reports Required by HUD When Disaster Occurs

Last month we covered the importance of having a plan in case of an emergency. When something does occur, there are certain responses that HUD will expect. Here are the procedures in the event of resident displacement and/or property damage:

If a disaster occurs that affects your residents and/or properties, HUD has reporting obligations based on information that is gathered about your property. It's important for you to immediately report any physical damage to your property - both interior and exterior. This damage could result from fire, flood, wind, severe cold, or other natural disaster or weather event. Owners/Management Agents are encouraged to complete and forward damage assessments to HUD using these forms, which can be found in Chapter 38 of the 4350.1:

- FEMA Declared Emergency or Disaster: Preliminary Disaster Assessment (Appendix A-3)
- Event not declared by FEMA: Basic Damage Assessment

The appropriate Assessment form should be forwarded, within **24 hours** of the damage, to your HUD Project Manager. This website has been established to aid you in your reporting:

<http://www.hud.gov/offices/hsg/mfh/disasterguide.cfm>.

TIP: If there has been a crisis on your property that does not require resident displacement, and no damage has occurred, it is still best to send a report to your HUD Project Manager. This will give HUD an accurate assessment of your handling of the situation and for their records, which is especially helpful if questions arise.

Updated reports are a must, as additional information becomes available, when dealing with resident displacement and the amount of damage to your property. It is important that HUD remain informed of any insurance claim that covers any event and any damage to the property.

Smoke Free Housing Tool Kits

Ever given thought to having a smoke free property? New toolkits can help you move forward with that idea. It is important to give tenants proper notice, and provide a "smoking area" if at all possible.

http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2012/HUDNo.12-106

These new toolkits are available to help owners/management agents to adopt smoke-free policies that will help protect your residents and staff from second-hand smoke and greatly reduce property maintenance costs. Additionally, the new toolkits advise private landlords and public housing authorities to:

- Advertise units as non-smoking to attract tenants who either don't smoke or only smoke outside;
- Talk to prospective tenants about their smoke-free policy when showing the property;
- Include no-smoking policies in lease agreements and read through the rule with tenants as they sign their leases;
- Display no-smoking signage in buildings and on the property;
- Consider partnering with organizations to offer smoking cessation support to residents;
- Inform tenants that if they smoke in their units, they will be financially responsible for the costs of restoring the unit;

- Use the same warning/enforcement methods for smoke-free rule violations used for any other lease infractions; and
- Visit and inspect properties regularly.

You can find more information at <http://portal.hud.gov/hudportal/HUD?src=/smokefreetoolkits1>
 Owners' toolkit: <http://portal.hud.gov/hudportal/documents/huddoc?id=pdfowners.pdf>

Residents' toolkit: <http://portal.hud.gov/hudportal/documents/huddoc?id=pdfresidents.pdf>

These two kits will provide your staff and residents with vital information for creating a smoke free environment. There are pamphlets, flyers and information sheets about second-hand smoke. Some the material is provided in Spanish.

Tips on Requesting Reserve for Replacement Funds

When you need to use your reserve funds for your property, you'll want to be sure to submit your request properly. Here are some tips:

1. Use the current version of Form HUD-9250. If you're not sure the one you have is the latest version, check HUD Clips to see if there's a more recent one available. Look at the expiration date, and don't use a form that's no longer valid.
2. Attach the Mortgagor/ Management Agent Certification – it's required. There's no official HUD form for this, but your HUD Field Office can give you a sample format.
3. Provide a narrative describing, in detail, the work to be performed with these funds.
4. If you're requesting a reimbursement for work already done, include copies of paid invoices. Be sure to keep them on file for three years.
5. Your HUD Field Office may require copies of the bids, for work exceeding \$25,000.
6. If you'll be replacing appliances (or major components), attach a complete list, along with notes about the unit numbers/locations in which they'll be located. Note whether or not the replacement is an energy efficient product. If it isn't, you must provide a justification for purchasing it.
7. If you have questions about what's required, check with your Project Manager before you submit your request.

More guidance can be found in the HUD Handbook 4350.1, Chapter 4 and in HUD Notice H 99-13.

Compliance Q & A

Question: When I see a Y for buy-in on the EIV, that means I don't give the tenant credit for medical deductions, right? Jackie in Atlanta

Answer: That's correct. A "Yes" for Medicare Buy-In on the EIV Income Report means that the state is paying the Medicare premium for the tenant. Thus, it's not deducted from the tenant's SS check, and it's not an out-of-pocket medical expense for the household. So, in this case, the Medicare amount does not count as a medical expense.

Question: We received the following finding in our recent MOR: "The tenant's SSN Benefits Claim Number was missing from the 4/1/11 MI 50059. The number is required when the tenant's Social Security number is different from the Claim Number. Please add the tenant's SSN Benefits Claim Number to the 4/1/11 MI 50059 and send a copy to PMAM." How does my manager change the social security number without it "goofing up" what is already in the system & EIV? Paula in Pennsylvania

Answer: TRACS is not set up to accept Claim Numbers yet... though it will be able to, when TRACS 202D comes out in March. A CA is not allowed to require anything HUD does not require; but the CA can share items as "an observation" in the MOR report. Some software products have a place to enter a Claims Number

next to the Social Security income item it applies to – and other products don't. But this information just stays in the software - it does not go to TRACS at this time.

PMCS Offers Solutions

Do you need HUD compliance assistance? PMCS can perform a portion or all of your monthly processing, consult to help you meet HUD's numerous requirements, or train your staff to help ensure the work they are performing is HUD-compliant. PMCS custom designs a service package to meet your property's specific needs – whether you have a property with one unit or five hundred units!

HUD Compliance Processing: Our basic Service Bureau includes creation of certs and vouchers, transmission of TRACS files - and we become your liaison with HUD or your Contract Administrator for subsidy issues. PMCS also generates multiple notices and reports for your use.

Certification Packet Creation: PMCS can provide tenant certification packets, including required annual recertification documents and verification forms.

Verification Review: Upon receiving your complete tenant packet, PMCS can perform a compliance verification review in accordance with HUD's 4350.3 regulations. We check for inclusion of all required forms and verify each tenant's information including income, assets and deductions.

Monthly EIV Reports: PMCS can download and e-mail (with encryption) your EIV Reports.

Let PMCS save your staff's limited and valuable time! Contact us today to discuss these programs or learn about the others that PMCS offers. Phone: 315-451-2423 or email: solutions@pmcs-icap.com

Industry Organizations: Where We'll Be...

September 14: **Leading Age Florida, Jacksonville, FL:** Bonnie Wilpon: EIV

September 19: **SAHMA, Louisville, KY:** Bonnie Wilpon: EIV

September 19-21: **PennDel AHMA Conference, Dover DE:** Jeanette Claus

November 9: **Mid-Atlantic AHMA, Richmond, VA:** Bonnie Wilpon, EIV, TRACS 202.D

November 14-15: **TRACS Industry Meeting, Washington DC:** Jeanette Claus and Bonnie Wilpon

For Further Information, Please Contact Us:

Solutions You Can Count On

Telephone: 315-451-2423

Web: www.pmcs-icap.com

Email: Solutions@pmcs-icap.com

Main Office: 829 West Genesee Street, Syracuse, New York 13204