

Practical Points

October 2012

From

PMCS-ICAP

Services and Solutions for Properties of All Sizes

Prepayment & Refinancing of Section 202 Direct Loans

The FAQ (Frequently Asked Questions) for HUD Notice 2012-08 provides clarifications regarding the Updated Requirements for the Prepayment and Refinancing of Section 202 Direct Loans. According to the FAQ, HUD intends to issue an update in the near future. Until that time, staff should refer to Housing Notice 2012-08 along with this FAQ document for guidance on Section 202 repayments.

The questions have been categorized into the following sections:

- Process (of applications)
- Use of Project Funds (residual receipts)
- Section 8 Contract Renewals
- Section 8 Rent Setting
- Distributions
- Re-refinances
- Use of Proceeds (developer's fee)
- Debt Service Savings
- Sales Proceeds
- Pre-1974 Section 202 Projects

The FAQ document, which was released on September 24, 2012, can be found at:

<http://portal.hud.gov/hudportal/documents/huddoc?id=FAQ-Notice-2012-08.pdf>

Find Notice 12-08, Updated Requirements for Prepayment and Refinance of Section 202 Direct Loans here:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg

HUD is looking at different ways to encourage “preservation” of the existing properties. This means that HUD wants to do everything it can to keep the units operating under the project-based 202 subsidy program, rather than having owners pay off the mortgages and charge market rent for the apartments. Refinancing is one way of making sure that properties are in the best condition possible, and will be in existence for a long time to support our communities’ affordable housing needs.

Preservation Workshops

HUD will be holding advanced training workshops that deal with multifamily property preservation, through its “Partners in Housing” program. These workshops are free for owners and senior level management company staff of multifamily properties.

Participants should be familiar with HUD multifamily programs, including Section 202 Direct Loans, Section 236, Section 8 rental assistance renewal options, and refinance programs such as Section 223(f) and 221 (d)(4). The Basic “Partners in Housing” course is not required.

Industry experts will lead workshop participants through case studies and discussions of options for refinancing and repositioning multifamily properties. If you attend, be prepared to handle the case studies by bringing your calculator. Active interaction is expected -go prepared to work! Each workshop lasts for 3 days.

Here are the locations and dates, along with links to the registration forms. It’s important to register as soon as possible, to guarantee your spot:

- Denver, CO October 23–25, 2012 ([Register](#))
- Chicago, IL.(Session 1) November 6–8, 2012 ([Register](#))
- Philadelphia, PA November 13–15, 2012 ([Register](#))
- Boston, MA November 28–30, 2012 ([Register](#))
- Los Angeles, CA (Session 1) December 4–6, 2012 ([Register](#))
- Chicago, IL (Session 2) December 11–13, 2012 ([Register](#))
- Los Angeles, CA (Session 2) To Be Determined ([Register](#))

A copy of the agenda can be found at: <http://tdpsvs.com/hud> .

If you have any questions, please contact Celeste Lawson at TDP (Training/Development/Program Management) (celeste@tdpsvs.com) or Margaret Salazar at HUD (Margaret.S.Salazar@hud.gov).

Section 8 Renewal Guide Page Change

There has been a revision of the clarification concerning the effective date of the recent new Section 8 Renewal Policy Guide.

On May 18, 2012, HUD issued page changes to the Section 8 Renewal Policy Guide. Two of those changes have an impact on budget-based rent adjustment requests in Option Four. The first requires the use of current debt service in an Owner’s budget-based rent increase request, and the other permits a budget-based rent increase at the annual anniversary date only if the proposed rents do not exceed comparable market rents.

On June 12, 2012, the Department issued additional guidance related to the effective date of the page changes. Those effective dates have now been further clarified as noted below.

The effective date for both of the page changes described above is 150 days after May 18, 2012 (which is October 15, 2012). Any budget-based rent increase request postmarked prior to October 15, 2012 can be processed under the previous guidance. All budget-based rent increases postmarked October 15, 2012 or later must abide by the new guidance. This requirement applies to all Option Four contracts, including multi-year contracts signed prior to May 18, 2012.

The effective dates for the other changes remain the same. If you do not receive the RHIP Listserv Updates, please go to <http://www.hud.gov/subscribe/maillinglist.cfm> to subscribe. These “free-in-your-email” short bulletins from HUD are a great way to be informed very quickly when changes occur.

Reduce Childhood Lead Poisoning

HUD has issued the 2012 edition of the [Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing](#) to help providers reduce childhood lead poisoning. These Guidelines help owners, government agencies and private contractors learn how to identify and control lead-based paint and related hazards in housing. This is an attempt to handle the situation without unnecessarily increasing the cost of renovation.

“HUD is committed to providing healthier housing for all families,” said Jon L. Gant, Director of HUD’s Office of Healthy Homes and Lead Hazard Control. “These *Guidelines* will help communities around the nation protect families from lead exposure and other significant health and safety hazards.”

The Guidelines review existing problems and discuss how to reduce the hazards in housing in a cost effective manner, while protecting residents and their children on our properties. They address lead hazard evaluation and control in all federal housing programs. This document should be reviewed by all owners/agents. They can

be used by anyone who is required to identify and control lead paint hazards, as well as property owners, landlords, and child-care center operators. They offer helpful advice on renovations in older housing, lead-based paint inspections and risk assessments, and where to go for help. The *Guidelines* also outline what users have to do to meet requirements and recommendations, identify training – and if applicable, certification – required for people who do the work, and describe how the work should be done.

The *Guidelines* complement regulations that have been issued by HUD, the U.S. Environmental Protection Agency (EPA), and the Occupational Safety and Health Administration (OSHA), as well as policies from the Centers for Disease Control and Prevention (CDC).

Fair Market Rents 2013

Each year, the federal government provides our industry with information regarding the rents that are being charged for privately owned apartments in different communities. The FMRs (Fair Market Rents) are an estimate of the average gross rents (rents plus utilities) for medium-quality different-sized apartments in each community.

The proposed FMRs for Fiscal Year 2013 were published in the Federal Register on August 3, 2012. These proposed rents reflect 40th and 50th percentile rent levels for local markets. The percentiles are used to set successful rate payment standards. Having this information will enable owners/agents to review their rent structure for future budget increases.

The Fair Market Rents for 2013 can be found at:

http://www.huduser.org/portal/datasets/fmr/fmrs/FY2013_code/select_Geography.odn

SAM (System for Award Management)

The CCR (Central Contract Registration) database has been integrated into a new database called SAM, the System for Award Management. This new system is not managed by HUD, but is managed by GSA (General Services Administration).

All of your property's information that was in CCR has now been migrated to SAM. If you're a User whose business status has changed; if you intend to apply for upcoming grant/contracting opportunities, assume an existing HAP contract, and/or have not received funds yet (i.e. PRACs just coming on-line) you **must create a new account in SAM**. There are tip sheets on the SAM FAQ page for both creating and migrating accounts. Please consult this page, using your current username and password (created in CCR):

<https://www.sam.gov/portal/public/SAM/>

REAC Compilation Bulletin, Revision 2.3

HUD has released an updated REAC Compilation Bulletin Revision 2.3, dated August 22, 2012. This bulletin specifically addresses REAC inspection scoring for single dead roaches, tenant owned equipment, fire extinguishers and scattered site inspections.

There are four revisions:

1. Roaches (Effective September 4, 2012)

When either one dead roach or only roach droppings is observed in a unit or in an inspectable location in a Common Area, the inspector is to record this observation as Health and Safety (H&S), Hazards, Other, and in the comment field write either "One dead roach" or "Roach droppings only." When a deficiency is recorded under "Hazards, Other," there is no point loss associated with the deficiency. The new "dead roach" protocol is effective for inspections as of September 4, 2012.

However, when more than one dead roach OR one or more live roaches are observed in a unit or in an inspectable location in a Common Area, the inspector must continue to record this observation as “Infestation.”

2. Tenant-owned Equipment (Effective August 6, 2012)

Refrigerators, stoves, and window air conditioners owned by the resident must be inspected and deficiencies recorded, including H&S deficiencies, as if the appliances are owned by the property. Property owners and management agents may continue to submit TR/DBA requests for cited deficiencies for these resident-owned items.

All other resident-owned property will be inspected for H&S deficiencies only. These H&S deficiencies must be recorded as H&S, Hazards, Other. Examples of “resident-owned property” include fire extinguishers, mirrors, picture frames, fan covers and play equipment. When a deficiency is recorded under “Hazards, Other,” there is no point loss associated with the deficiency.

However, when resident-owned property (including furniture, appliances or other devices) prohibit access to call-for-aids (pull cords) or block egress, that must continue to be cited as Call-For-Aid, Inoperable or H&S, Emergency/Fire Exits, Blocked/Unusable, as applicable.

Improperly stored flammable materials will also continue to be recorded as H&S, Flammable Materials, Improperly Stored, regardless of ownership. This revision is already in effect for inspections.

3. Fire Extinguishers (Effective August 6, 2012)

All fire extinguishers observed must be inspected, regardless of who owns them. Fire extinguishers owned and supplied by the property that are missing, expired, discharged, or otherwise damaged will be cited as a deficiency regardless of whether or not the extinguisher is required by local code. Fire extinguishers owned and supplied by the residents will be cited only for H&S deficiencies, and will be recorded as H&S, Hazards, Other, with no point loss. This revision is already in effect for inspections.

4. Scattered Site Projects (Effective March 10, 2012)

Inspectors are required to visit all of the locations in the scattered site property to visually verify all building and unit counts prior to sample generating. After generating the sample and selecting the sample buildings and units, inspectors are only required to re-visit and inspect the sample buildings and units, and the sites associated with the sample buildings. If a building that is selected as part of the sample is on a multiple building location, the entire site for that location must be inspected.

A copy of the REAC Compilation Bulletin Revision 2.3 may be found here:

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

Compliance Q & A

Question: I have a Section 236 property, which has a Section 8 contract on all units (100% Section 8). If a Section 8 tenant’s subsidy goes to zero because their income goes up, does that tenant pay contract rent or market rent? Manager in TN

Answer: In this case, you would terminate the tenant’s Section 8 subsidy. Then you would do an Initial Cert into the 236 program, and the tenant would pay somewhere between Basic and Market, depending on his/her household and financial information. Remember – the tenant’s Annual cycle changes to the first of the month of the Initial Cert (for required ARs when the tenant is paying less than Market rent). (4350.3, 5.30 C)

PMCS Telephone Seminars

Our Telephone Seminars are presented by industry specialists:
Jeanette Claus, Bonnie Wilpon and Michael Alexander

As the year is quickly winding down, take advantage of your remaining education budget to gain the necessary skills and current information required to ensure that your property runs smoothly and according to HUD regulations and guidelines.

PMCS telephone seminars provide the opportunity to gain additional industry knowledge without the high cost of travel, and without spending full days away from the office.

Contact us today for further information or view our
Class schedule and registration form on our website at www.pmcs-icap.com
(Direct link to class registration form at http://www.pmcs-icap.com/telephone_schedule.html)

Classes are still only \$99.00 each - and if you register for 6 or more together, they're only \$89.00 each!

Industry Organizations: Where We'll Be...

October 16 & 17: **New Jersey Governor's Conference, Atlantic City, NJ:** Jeanette Claus
October 24: **NEAHMA Annual Trade Show, Norwood, MA:** Dan Whitmore and Jessica Smolinski
October 25: **Rocky AHMA, Helena, MT:** Bonnie Wilpon, Advanced EIV & TRACS 202.D Update
October 28-30: **NAHMA Fall Meeting, Washington DC:** Jeanette Claus
November 9: **Mid-Atlantic AHMA, Richmond, VA:** Bonnie Wilpon, EIV, TRACS 202.D

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