

# Practical Points

By **PMCS** - Services and Solutions for Properties of All Sizes

March 2013

## Sequestration: How Will it Affect Project-Based HUD Housing?

We've all heard a lot about "sequestration" or "the sequester", but what does it mean? What does it mean for our HUD housing programs? Sequestration is the mandatory, automatic across-the-board spending cuts required under the Budget Control Act of 2011. These cuts were supposed to happen on January 2, 2013 but the American Taxpayer Relief Act postponed the cuts until March 1.

The original estimated 8.2% across-the-board cuts for multifamily housing programs was reduced to about 5.1%, however, the timeframe for implementing the cuts was also reduced, making their impact more severe. The cuts affecting HUD and Rural Development are expected to start during the next couple of months and continue through September 30, 2013 (the end of the government's fiscal year).

These agencies must make the cuts by budget line item - they can't move funds from one account to another. For that reason, we can expect widespread furloughs of federal employees (after a 30-day notice). Public Housing's Housing Choice Voucher program is expected to cause about 125,000 households to lose housing assistance. It is possible that many HUD employees will only work (and get paid for) 4-day work weeks, which will likely cause delays in processing FHA multifamily loans, completing preservation deals and answering compliance questions.

## SS Debit Cards Now Count as Assets

As of March 1, 2013, all Social Security benefits will be paid via direct deposit or via Debit Express debit cards. Social Security previously announced that, on that date, anyone who hadn't signed up for direct deposit would automatically receive their next month's benefit via debit card. However, several periodicals now report that people receiving paper checks will continue to receive them for a little while, along with a letter offering assistance in making the "electronic bank deposit vs debit card" choice.

On February 27, HUD Policy changed how debit cards should be handled. In the past, they were treated like checking accounts, but now, they are to be treated like savings accounts. This is a huge relief to site managers,

since it was impossible to obtain 6 months of debit card statements. The SS income will still count as income. Bank accounts, as always, will count as assets. The debit card is also an asset, and its value is its current balance. There is no interest earned on the debit cards.

Tenants who receive their SS/SSD/SSI benefit on a Direct Express Debit Card must provide an account balance no older than 120 days prior to the certification date. Be sure to add this requirement to your 120-90-60 day recert reminder notices. They can get this balance from an ATM at no charge, or through the online account service, or through a paper statement. The verification document must identify the account and the name of the account holder.

## This Issue

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## The Violence Against Women Act (VAWA)

At the end of 2012, Congress failed to renew the Violence Against Women Act (VAWA). There have been a lot of questions concerning the VAWA Addendum HUD Form 91067 and the Certification as a Victim Form 91066; these forms are still valid.

The VAWA funding authorization expired in 2012, but its provisions remain in effect and will remain in effect unless the VAWA legislation is repealed. It is important to continue to use the lease addendum.

Congress' failure to renew simply means that there was no funding approved for the VAWA, but all of its provisions concerning housing remain in force. The request for funding authorization has not gone away - the Senate is continuing to seek funding.



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## HUD Encourages Smoke-Free Properties

HUD has issued Notices to encourage Smoke-Free Housing. The first Notice H2010-21 was issued on September 15, 2010. Further encouragement was provided via Notice H2012-22 (<http://portal.hud.gov/huddoc/12-22hsgn.pdf>), released on October 26, 2012.

There were no substantive changes from one Notice to the next. The Notice was issued to further encourage the adoption of smoke-free housing policies. Many owners and management agents have already made their sites smoke-free, or are actively involved in implementing smoke-free housing policies in some or all of their properties.

This notice applies to:

**A. Project-based Section 8**

1. New Construction
2. State Agency Financed
3. Substantial Rehabilitation
4. Section 202/8
5. Rural Housing Services Section 515/8
6. Loan Management Set-Aside (LMSA)
7. Property Disposition Set-Aside (PDSA)

**B. Rent Supplement**

**C. Section 202/162 Project Assistance Contract (PAC)**

**D. Section 202 Project Rental Assistance Contract (PRAC)**

**E. Section 811 PRAC**

**F. Section 811 Project Rental Assistance Demonstration units under a Rent Assistance Contract**

**G. Section 236**

**H. Rental Assistance Payment (RAP)**

**I. Section 221(d)(3) Below Market Interest Rate (BMIR)**

PMCS offers a phone class on this topic, please check the schedule on our website.

## PBCA and VAWA Updates

During our last update of the PBCA awards, we reported that HUD had filed a Motion to Dismiss the lawsuit brought against the NOFA process by several PBCAs. There was to be a court ruling on this by February 22nd.

However, the court decided that it needs more time to consider this, because the issues are so complex. Since the current PBCA contracts have been extended through June, the court states that it would make a decision before the end of June. In addition, the court reserved the right to call the parties (HUD and the plaintiffs) back for more briefings.

VAWA (Violence Against Women Act) funding was renewed by Congress last week. Neither Congress' failure to renew nor its renewal of VAWA affected housing, since the renewal relates to funding for other types of programs.

## 10-City Initiative to End Homelessness

In September of 2012, HUD and the US Interagency Council on Homelessness (USICH) announced a new initiative called "Dedicating Opportunities to End Homelessness." Local plans will be community-driven in the 10 target cities, focusing on local efforts to prevent and end homelessness.

This program will include new HUD policies, and owner/agent preferences for applicants who are homeless. These are currently under review at Policy, and should be released soon. Local meetings are already underway in the target cities.

The 10 HUD identified priority communities are: Atlanta, Chicago, Fresno, Houston, Los Angeles, New Orleans, Philadelphia, Phoenix, Seattle and Tampa. If you're in one of these cities and want more information, or be connected to the local meetings, contact your HUD Field Office or USICH regional coordinator. You can find your USICH regional coordinator by using the interactive map at:

[http://www.usich.gov/usich\\_resources/maps/overall\\_homelessness\\_rates/](http://www.usich.gov/usich_resources/maps/overall_homelessness_rates/)



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## REAC Inspections: Parking Lots

As you continue to prepare for your REAC inspections, be aware of some of the changes that went into effect at the beginning of this year. Definitions of Deficiencies can be found at:

<http://www.hud.gov/offices/reac/products/pass/PDFs/appendix2-finaldictionary.pdf>

### **Parking Lots/Driveways/Roads:**

A parking lot, driveway, and/or road is defined as an area for parking motorized vehicles which begins at the curbside and includes all parking lots, driveways or roads within the property lines that are under the control of the housing provider. This does not limit the parking lot/driveway/road to any material, location, size, or type. Any surface that is used for parking or driving is considered to be a parking area. Damages that result in violations relate to cracks, gaps, spalling, and trip hazards.

### **REAC Inspector instructions:**

1. Do not include cracks on walkways or steps.
2. For this to be a Level 2 deficiency, more than 10% of the area must be impacted (i.e. 100 out of 1,000 square feet). The 10% level does not apply to Level 3 conditions.
3. Relief joints are there by design; do not consider them to be cracks.
4. Repaired/sealed cracks should not be considered deficiencies.
5. When observing traffic ability, consider the capacity to support people on foot, in wheelchairs, using walkers or canes, etc., and the potential for problems and hazards.
  - Level 1: N/A
  - Level 2: Damaged pavement, as defined above, greater than  $\frac{3}{4}$  inch, cracks, settlement, hinging/tilting, loose materials, potholes, or missing section(s) that affect traffic ability over more than 10% of the property's parking lots/driveways/roads. Note a deficiency if you see cracks on more than 10% of the paved area.
  - Level 3: N/A

Three Inspectable Areas (cracks, potholes and loose materials, settlement/heaving) have been consolidated into one deficiency.

### **Ponding (Parking Lots/ Driveway/Roads)**

### **REAC Inspector instructions:**

1. Consider the impact of any measurable precipitation, 1/10 inch or more, during the last 48 hours. Note the deficiency only if there is clear evidence that the ponding is a persistent or long-standing problem.
2. For parking lots/driveways/roads only, note a deficiency if you see ponding on more than 5% of the paved area.
  - Level 1: N/A
  - Level 2: Between 1 and 3 inches of water has accumulated, affecting the use of 5% or more of a parking lot/driveway/road. The parking lot/driveway/road is passable.
  - Level 3: More than 3 inches of water has accumulated, making 5% or more of a parking lot/driveway/road unusable or unsafe.

The only change was that Level 2 now says "between 1 and 3 inches" instead of "less than 3 inches."

## Q&A

### **Question:**

I have a single mom who was homeless and pregnant when she got to the top of the waiting list. When I called her to offer the unit, she had been taken to the hospital the night before, and had her baby. Of course the newborn didn't have a Social Security number yet. Can I still offer her a unit when she gets out of the hospital?

~ Roxanne in AZ

### **Answer:**

Sadly, no. The Final Rule: Refinement of Income and Rent Determination Requirements in Public and Assisted Housing, effective January 31, 2010, would prohibit this. The Rule states that documentation of an SSN must be provided for all household members before determining eligibility, which must be done before offering a unit. Your applicant can stay at the top of the waiting list, and you must move on to offer the unit to the next household on the list. Your applicant has 90 days to provide SSN documentation for the baby, while still staying at the top of the list. If she fails to do so, she must be removed from the waiting list. You can download the Final Rule (published December 29, 2009) from:  
<http://edocket.access.gpo.gov/2009/pdf/E9-30720.pdf>

## 2013 PMCS Phone Classes

At PMCS we offer a variety of 90-minute telephone classes. Training... right from your desk! Our telephone classes are **detailed, inexpensive and convenient**. A certificate of completion is provided for completed classes. The interactive format allows for great discussion and Q&A. Topics range from HUD basics to the latest updates.

Visit our website, [www.pmcs-icap.com](http://www.pmcs-icap.com), to learn more about our classes and how you can benefit from them.

## March 2013 Phone Classes

*All Phone Classes are Eastern Standard Time*

### **Class #18**

*Special Claims, Start to Finish*

March 1, 2013; 11:00 am – 12:30 pm

### **Class #19**

*EIV Policies and Procedures*

March 4, 2013; 3:00 pm – 4:30 pm

### **Class #20**

*Resident Associations and Relationships*

March 6, 2013; 3:00 pm – 4:30 pm

### **Class #21**

*Resolving EIV Discrepancy Reports*

March 8, 2013; 11:00 am – 12:30 pm

### **Class #22:**

*Verifications and Tenant Interviews*

March 11, 2013; 3:00 pm – 4:30 pm

### **Class #23**

*Affirmative Fair Housing*

*Marketing Plans Made Easy*

March 14, 2013; 3:00 pm – 4:30 pm

### **Class #24**

*House Rules*

March 15, 2013; 11:00 am – 12:30 pm

### **Class #25:**

*HUD's Secure Systems*

March 18, 2013; 3:00 pm – 4:30 pm

### **Class #26**

*What Did We Miss in 2012?*

March 25, 2013; 3:00 pm – 4:30 pm

## Q&A

### Question:

Can you give us some guidance on calculating an IRA? We have an applicant that has an IRA account that receives a \$500.00 deposit into the checking account every month. The current value on the IRA is \$100,241.64 after penalty deductions. Do we count the \$500 per month as income and not list the IRA value as an asset or do we do both?

~ Lisa in NC

### Answer:

The rule about retirement accounts (including IRAs) is that, once the tenant begins regular withdrawals, the withdrawals count as income and (POOF!) the asset disappears. So the tenant's income from this IRA would be 500 x 12, and the cash value of the asset would not appear on the cert at all. This is true whether the regular withdrawals are monthly, annually (including required minimum distributions) or in any other regular, periodic time increment.

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