

# Practical Points

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

## 4350.3 REV-1, CHG-4 HUD Handbook Released

The long-awaited Change 4 to HUD Handbook 4350.3 REV-1 "Occupancy Requirements of Subsidized Multifamily Housing Programs", has been posted to HUDCLIPS. RHIP Listserv #303 – Change 4 to HUD Handbook 4350.3 REV-1 Posted to HUDCLIPS

The Handbook was updated to include requirements and details for EIV (Enterprise Income Verification), VAWA (Violence Against Women Act) requirements, Form 92006 – Supplemental Information to Application for Federally Assisted Housing, Social Security Number requirements in the Final Rule on Income and Rent Determination Requirements that was effective January 31, 2010, and the admission of applicant households with members subject to State Lifetime Sex Offender registration requirements.

The 9-page Transmittal – Change 4, 8/13, which lists the changes to the Handbook, can be found on the HUD website, as well as, the complete handbook (and includes all Transmittal forms).

HUD has been asked to delay the required implementation date either 30 days or to January 1, 2014 to allow all of us a chance to read and understand the changes; however, there is no word yet on whether the effective date will be changed.

## Court Issues Injunction: HUD Cannot Proceed with PBCA Awards

On Tuesday, August 27, 2013 the U.S. Federal Circuit Court of Appeals issued an injunction in the case CMS Contract Management et al v. United States, in which eight Performance-Based Contract Administrators had challenged HUD's procedures and criteria for awarding PBCA contracts through a Notice of Funding Availability (NOFA) process.

In late April of 2013, the Court of Federal Claims had made its ruling, in favor of HUD, to validate HUD's NOFA method of awarding contracts to administer the Department's project-based rental assistance programs. The Court found that these contracts were cooperative agreements; therefore the manner in which HUD awarded these contracts was proper.

This decision was appealed to the U.S.

Federal Circuit Court, and in issuing the injunction, the Court of Appeals has barred HUD from moving forward with awarding the PBCA contracts that HUD had announced on August 6, 2013.

The Appeal is scheduled to be heard in Wilmington, DE on October 10, 2013. We believe that HUD will most likely offer existing PBCAs in the 42 contested states/areas another 3-month contract extension, from October 1 through December 31, 2013.

If the Appeals Court finds in HUD's favor, we believe that they will proceed with the awards and transition process, most likely for a January transition start with an April implementation. If the Appeals Court rules against HUD, we believe there will be a delay of 1-2 years while HUD goes back to the drawing board to re-issue an RFP (Request for Proposals).

## This Issue

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### 4350.3 REV-1, CHG-4 HANDBOOK

The HUD 4350.3 REV-1, CHG-4 PMCS Travel Edition, complete with Exhibits and Appendices, is available for purchase. The book has been re-formatted and contains all original text. The white space and font have been reduced slightly, and is easy to read. The Handbook has been condensed to approximately half the size and weight of the standard version and includes a 2 GB USB Flash Drive with the Travel Edition PDF.

Visit our website, [pmcs-icap.com](http://pmcs-icap.com), to order your copy today.



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## Small Projects Can Submit Owner-Certified Financials to FASSUB

On August 8, 2013, HUD issued Notice H 2013-23, changing the annual financial statement (AFS) submission requirements for some small multifamily housing projects.

A "small multifamily housing project" is one where the owner must submit audited financial statements, but gets less than \$500,000 in combined federal financial assistance. That means that the total of all grants, loans, loan guarantees, property - including donated surplus property - cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance received or administered is under \$500,000.

If your property falls into this category, your owner will be allowed to submit an Owner-Certified financial statement. The Notice applies to Owners having a fiscal year end of December 31, 2013, and after.

Owners of these small projects will continue to submit financial statements to HUD electronically via FASSUB, in accordance with Generally Accepted Accounting Principles (GAAP), including a full set of notes to financial statements. But these owner-certified submissions will not contain an auditor's opinion or report. During submission, owners will certify that they receive less than \$500,000 in combined federal financial assistance, and the system will verify this with a crosscheck of HUD's databases.

This change is expected to apply to about 2,174 financial submissions and to save owners of these small projects \$2,000 - \$10,000 per year in annual financial reporting costs. This

will free up dollars that can be used for maintenance, operating costs or owner distributions, and encourage owners to renew their contracts, rather than opting out and reducing the number of affordable housing units.

If you have questions about these new submission requirements, contact the Office of Asset Management, Business Relationships and Special Initiatives Division at (202) 402-2629. The full Notice can be found on HUD Clips.

### Live Class: Change 4 and TRACS 202.D

**Where: Syracuse, NY - Maplewood Inn & Suites**

**When: Tuesday, October 22, 2013, 9:00 - 3:30pm**

**Registration Deadline: October 10, 2013**

The long awaited update to HUD's 4350.3 was finally issued and formally effective on August 7, 2013; even though it wasn't announced in the RHIP ListServ until August 22! There are over 225 changes to the Handbook, some more significant than others. Right now the industry faces the seemingly daunting task of learning about the changes, determining how each change affects their property and becoming compliant ASAP. Don't tackle it all by yourself! Don't feel overwhelmed!

The Handbook also includes updated EIV requirements since HUD Notice 2013-06 (effective March 2013) and will be included in the discussion. Yes, the EIV requirements have been clarified

and/or modified from prior Notices! And there is more...you will also learn about the items that are not clear in the Handbook, items that require software changes to be compliant and an update on the TRACS 202D release.

Then we'll move on to TRACS 202.D. Learn how to make a smooth transition to this major upgrade.

Both the 50059 and the 50059A are revised. We'll work our way through all the changes - items that have been removed, things that have changed, and new fields. Learn about the new Full Certification Unit Transfer (mid-month IR/UT and the AR/UT), new extenuating circumstances codes, and more!

Then we'll walk through all the changes with the vouchers - including changes to the form and the vouchering process. For the first time, the voucher detail will be transmitted electronically - and we'll explain how this will change the way CAs and the FOD reconcile and recommend payments. We'll discuss the new voucher section on repayment agreements, as well as changes in the adjustments section and the Special Claims forms.

It is a must attend class for everyone in the MultiFamily Affordable Housing Industry that deals with compliance issues at their site. We look forward to seeing everyone in October! Class will fill quickly, register early!

**Visit our website, [pmcs-icap.com](http://pmcs-icap.com), to register.**



## Subtle Housing Discrimination Still an Issue

Although there has been a decline in blatant discrimination in housing, unequal treatment continues to persist. More subtle forms of housing denial still occurs, according to a new summary study released on June 11, 2013 by the U.S. Department of Housing and Urban Development and the Urban Institute. Housing Discrimination Against Racial and Ethnic Minorities 2012 finds that African-Americans, Hispanics and Asians learn about fewer housing options than equally qualified Whites.

Real estate agents and rental housing providers recommend and show fewer available homes and apartments to minority families, thereby increasing their costs and restricting their housing options. The study concludes this is a national, not a regional, phenomenon.

“The forms of discrimination documented by this study are very difficult for victims to detect,” said the Urban Institute’s Margery Turner. “To detect housing discrimination today, HUD and local fair housing organizations need to conduct proactive testing, especially in the sales market, where discrimination appears higher than in the rental market.”

This is the fourth in a series of national studies sponsored by HUD, roughly each decade since 1979, to measure housing discrimination in rental and sales markets. It finds that while minorities today are rarely denied an appointment to see an advertised unit, less blatant forms of unequal treatment persist.

Key findings concerning renters in the report include:

Taking into account the ability to make an appointment, the availability of units and homes, and the agent’s willingness to show units, minority renters and home-buyers are told about and shown fewer homes and apartments.

- Black renters who contact agents about recently advertised housing units learn about 11% fewer available units and are shown roughly 4% fewer units.
- Asian renters who contact agents about recently advertised housing units learn about 10% fewer available units and are shown nearly 7% fewer units.
- Hispanic renters who contact agents about recently advertised housing units learn about 12% fewer available units and are shown roughly 7% fewer units.

“Fewer minorities today may be getting the door slammed in their faces, but we continue to see evidence of housing discrimination that can limit a family’s housing, economic and educational opportunities,” said HUD Secretary Shaun Donovan. “It’s clear we still have work to do to end housing discrimination once and for all.”

We, as managers and managing agents, must sharpen our skills so that we are acting within the guidelines of Fair Housing and upholding the spirit of the law.

## Incomplete SAM Registration

If you’re registering a new property in SAM (System for Award Management), and you don’t complete it within 90 days, the partial registration form will be deleted from the system. This does not apply to updates of Active or Expired registrations. You’ll get an email prior to the deletion to remind you to finish it, and give you the steps you need to follow.

For general information, visit the System for Award Management (SAM) website.

For help with your registration, contact the Federal Service Desk or by telephone, toll-free, at 866-606-8220.

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## Q&A

### Question:

Tenant’s Annual was due July 1, 2013. Management did everything we were supposed to do, but the tenant never responded to the 120, 90 or 60-day Recert Reminder Notices. On July 10 she returned the keys and moved out. Should we terminate the subsidy on June 30, 2013? The assumption here is that the OA did everything they were supposed to do.

~ Linda in NY

### Answer:

Absolutely right. If there are no extenuating circumstances that caused the tenant’s lack of response, assistance must be terminated effective the day prior to the AR date.



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## Funds for Service Coordinators Available at Grants.gov

Grant applications are now being accepted for Service Coordinators. \$7.5 million in grant funds is available, and applications will be accepted through October 14, 2013.

Under HUD's Notice of Funding Availability (NOFA) for Service Coordinators in Multifamily Housing Programs FR-5700-N-15, owners of multifamily projects for the elderly and/or disabled can apply for funds to employ and support Service Coordinators. Service coordinators help tenants get supportive services from the community, that are needed to enable them to live independently and/or age in place.

## HUD Releases Survey Concerning Same-Sex Couples

In March of 2012 HUD mandated new protections based on (among other things) sexual orientation. Now HUD has released a "first-ever" study conducted by the University of Albany, NY in June, 2013. This survey sheds light on Fair Housing issues concerning same-sex couples.

HUD's study was based on nearly 7,000 email surveys conducted in 50 metropolitan markets across the country between June and October of 2011. For each paired test, two emails were sent to the housing provider regarding an apartments that was advertised online. The only difference between the emails was whether the couple was same-sex or heterosexual.

Unfavorable treatment was measured by whether the couple was told whether the unit was available, was asked to contact the landlord, was invited to the see the apartment, or received any response at all.

The study revealed that same-sex couples received significantly fewer responses to email inquiries about advertised units than heterosexual couples did. In jurisdictions with state-level protections against housing discrimination on the basis of sexual orientation, the results unexpectedly showed slightly more adverse treatment of same-sex couples than in jurisdictions without them.

## Phone Class: 4350.3 REV-1, CHG-4 HUD Handbook

PMCS offers phone classes on the new Change 4! An overview of the significant items in Change 4 (the revised 4350.3 Occupancy Handbook) will be discussed. This will include the updated EIV requirements in HUD Notice 2013-06 (effective March 2013). **For more information and to register for phone classes, visit our website: [pmcs-icap.com](http://pmcs-icap.com).**

## REAC Tips #2

REAC inspections can be stressful for property managers, because we all want to score high enough that we'll only be inspected every three years. In an attempt to help get you those high scores, here are some helpful hints based on the scoring system.

There are certain deficiencies that have less of a point loss than others. These can add up, so it is best to cover your bases and check these areas:

- Fogged thermopane windows
- Missing locks on windows
- Surface damages
- Missing doors
- Hardware missing/damaged
- Seals and weather stripping

There is a great REAC Scoring Methodology video on YouTube.

## Window Safety Locks for Children

Window guards found in apartment and public hallway windows to protect children ten (10) years or younger from falling outside the building are permissible. They are typically lightweight metal construction and can be dislodged with a reasonable degree of force when necessary. These child-safety window guards should not be considered as blocked egress unless they are improperly installed or constructed.

More information can be found in REAC Pass Compilation Bulletin Revision 1.



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## REAC Scores Online: Compare Your Scores to Others

Have you ever wondered where all those REAC Inspection scores are stored? Now you can find out how your score compares to other properties in your state city. Visit Physical Inspection Scores by State on the HUD website to see all state listings.

HUD assesses the physical condition of all HUD-related multifamily projects. The list (organized by state and city) shows each property's most recent inspection results.

The data, current as of March 31, 2013, can be downloaded as a Microsoft Excel spreadsheet or PDF.

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## Bedbugs: Dispelling the Myths

Say the words "Bed bugs" and fear looms in your thoughts. There are some rumors about the behavior of bed bugs out there. Let's put them to rest. The following statements are true:

### Bed Bugs Do Not:

- Jump
- Fly
- Burrow or latch on
- Like hair
- Spread on pets
- Live outside
- Spread like roaches
- Bed bug bites look different on each person

It would be very difficult for a maintenance person to transfer bed bugs by simply being in the room. That person would have to sit or lay down in an area where there is an infestation. However, it is important that you be cautious in areas where there are infestations.

When traveling, it is always best to check the mattress seams, and to set your suitcase on a rack rather than on the extra bed in the room or on the couch. Encourage your residents to carefully inspect any piece of furniture that they are bringing into their home.

## Q&A

### Question:

Does HUD have any procedures or guide for developing substance abuse Policies and drug testing procedures? On occasion we have an individual or two that everyone in the complex knows is using and/or distributing drugs, but other than a person testing positive on a drug screening, my only other option is to involve the police. This is difficult as the transactions happen very quickly and the police can't show up and search an apartment without a warrant. I feel like I'm caught in a vise trying to deal with this – and of course, the tenants think that management is doing nothing to solve the problem.

~ Mickie in NC

### Answer:

This is a tough situation that many properties face. HUD does not require or offer any particular method for dealing with this; anything you do would be a matter of management policy. Some suggestions: Get copies of police reports weekly or monthly, to see if any tenants were arrested or charged with anything that violates the lease. Involve the police as much as possible; maybe the station would assign someone to work with you to try to solve this problem. Install very visible security cameras. Let all residents know that management will be talking to the police on a weekly basis, and that the police will be visiting the property at different times without warning.

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