



March 2014

BREAKING NEWS

Section 8 Renewal Guide Changes Posted for Comment

HUD has posted the proposed revisions to the 226-page Section 8 Renewal Guide, under What's New on the right side of the Section 8 Contracts web page.

Like the 4350.3, changes are set off with asterisks. The 8-page Transmittal lists all of the changes. **Highlights:**

- A non-MAHRA contract can be terminated early if the owner agrees to renew under Options One, Two or Three for 20 years plus the remaining balance on the terminated contract
- For-profit owners can access additional distributions only during the term of the renewal contract under Option One
- Owners of Exception projects can submit zero budget-based rent adjustments without an RCS
- Added requirements when RCS rents exceed a certain level
- Clarifies that for-profit owners can use Chapter 15 and renew under Option Two for purposes of Capital Repairs, but they must use Option One and Chapter 15 if seeking a Transfer or a Transfer with Capital

Repairs. In the past, they couldn't participate without a waiver

- Added note after Section 15-6.D.1 that allows "after rehab" rents to be effective at closing under certain circumstances
- Added that a HUD project manager or a CA won't lower comparable market rents in the RCS to reflect any use restrictions
- Added a new Chapter 16, "Old Regulation" State Housing Finance Agency Projects, that describes owner options when they pre-pay a state agency- financed loan on a project with an "old regulation" Section 8 contract

The document is open for public comment. If you want to send your input, submit your comments by April 30, 2014 to: Section8RenewalGuide@hud.gov or via mail to: Department of Housing and Urban Development, Attention: Section 8 Renewal Guide, 451 7th Street, SW., Room 6134, Washington, DC 20410 -0500. Be sure your comments specifically identify the section number, page number and paragraph number to which they refer.

Updated AFHMP Form

An updated version of the AFHMP (Affirmative Fair Housing Marketing Plan) form has been released with a new expiration date of 12/31/2016. In the past, the census tract could not be typed in; now it can.

Please begin using the latest HUD Form 935-2A (Multifamily Housing) the next time you update your Plan. HUD requires that your AFHMP be updated at least every 5 (five) years, although reviewing the form annually and updating it as needed is a good business practice.

The updated form can be found on HUD.gov under Form Resource.

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QUESTION

I have a question regarding new admissions for my Multi Family property. I was told by my PBCA that we are not allowed to admit anyone if zero HAP assistance will be paid. This will come across as an error. If the new admission is within the income limits, why is this not allowed? I am not able to find anything in the 4350.3. Can you point me in the right direction?
~ Mitch in Texas

Answer on page 3.



**829 West Genesee Street
Syracuse, New York, 13204
Phone: 800-245-PMCS(7627)
E-mail: solutions@pmcs-icap.com**

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BREAKING NEWS

New FASS Documents

You may have noticed some new documents on the FASSUB web page recently. New items posted by REAC are:

Revised Industry User Guide: As we reported earlier in Practical Points, for-profit and limited distribution owners who receive less than \$500,000 in federal financial assistance are permitted to submit owner-certified financial statements. Appendix B of the User Guide was updated on February 14, 2014 to include all of the account numbers and data definitions that apply.

Clarification of the 2011 Regulatory Agreement: A document clarifying the definition of Surplus Cash, shown in the 2011 HUD Regulatory Agreement has been provided by The Office of Multifamily Housing. This definition only applies to owners who signed the revised 2011 version of the HUD regulatory agreement.

Quiz

REAC Quiz

Match the following terms with the definitions:

1. Technical Review	A. Process of procuring competitive bids to conduct physical inspections of HUD's housing portfolio, review and accept inspections and authorizing payments to participating contractors.
2. Database Adjustment	B. Review that may be requested if during the physical inspection an objectively, verifiable and material error(s) occurred that, if corrected, would result in an improvement in the property's overall score.
3. Quality Assurance Division	C. To provide timely and quality service by monitoring inspector performance and taking corrective action, as needed, to ensure that the REAC inspections are conducted with a pre-defined acceptable quality.
4. Inspection Review	D. Oversees the physical assessment process and is responsible for evaluating and systematically monitoring REAC's physical inspection program to ensure reliable, replicable, and reasonable inspections.
5. Reverse Auction Program (RAP)	E. Initiates a review of the results of a physical inspection.
6. Inspector Administration	F. Allows for responses to questions to clarify observations and remedy incorrect observations.

Answers on page 3

QUESTION & ANSWER

Question:

We had a household with two couples living there. One of the wives got a job and never told us – we found out when we ran the EIV Income Report for their Annual. We did a repayment agreement for the amount they owed HUD. But then that couple moved out, leaving the other couple in the apartment. Do they have to keep paying on the repayment agreement even though neither of them was at fault?
~ Vivian in Florida

Answer:

Yes. All adults who had signed the lease when the situation was discovered must be named in the repayment agreement. The agreement is a household obligation, not just the obligation of a particular household member. So even when the woman who failed to report her job left, the other adults who stayed in the unit are required to continue to repay HUD, per the terms of the repayment agreement. If these remaining household members refuse to continue to pay, management must start the eviction process.

ANSWER

Answer from page 1

Answer:

In addition to being within the Income Limits, the family "must also need the assistance" [4350.3, 3-6 F(4)]. The amount the tenant must pay (Tenant Rent) must be less than the unit's gross rent (or market rent for 236 sites). This caveat does not apply to 202 or 811 PRACs.

MONTHLY NEWS

New Fort Worth/Kansas City Hub Director

Ben Metcalf, Deputy Assistant Secretary, Office of Multifamily Housing Programs has released the following information:

Kelly Haines has been selected as the Director of the Fort Worth and Kansas City Hubs. Kelly comes to this role from the Office of Insured Health Care Facilities where she served as Director of the Office of Residential Care Facilities (ORCF). Under her tenure, ORCF significantly improved its existing business processes and organizational structure to accommodate growing demand and changing market conditions while improving employee morale and professional development. Prior to her work in the Office of Health Care Programs, she was part of the Multifamily team in St. Louis, in asset management. Kelly's appointment was effective December 29, 2013.

APPS Update: Online Changes

There have been some updates to the Active Partners Performance Systems (APPS) online system, including:

- APPS will automatically resolve Automated Financial Statement (AFS) flags once the AFS is filed electronically.
- The latest REAC scores now appear on the Previous Participation Detail Page for Update
- You can make a new property submission for the same Tax ID Number (TIN) if an existing property submission has the same role but a different reason.
- The Corporate Buyout Submission option was removed from the Select A Reason Drop-Down list on the 2530 Submission Select a Reason page.
 - On the APPS Home Page, Create Baseline has been added as an option in Submission Processing Drop-Down list. And, the message Baseline Already Exists appears if there is a baseline already in the system.
 - When creating a baseline, the message Comments Inserted Here will not be carried forward to any new submissions that has been added to Edit Applicant Comments page.
- The previous participant is no longer deleted when participant is removed during the organization change submission.
- The previous participation is only deleted if the Participant Is Added In Error option is selected. Also, a message (Participant's previous participation will be deleted from the applicant) displays when appropriate.

VAWA for Non-Section 8 Properties

When Congress reauthorized VAWA (Violence Against Women Act) in 2013, the Act was expanded to include other federally-subsidized housing programs beyond public housing and Section 8. However the authorizing statutes for the newly covered HUD programs were not amended. So HUD is expected to issue guidance and rules for non-Section 8 programs.

In the meantime though, all managers need to be aware of VAWA protections. Per Yvette Viviani at HUD Policy (during a meeting after the January 2014 Industry Meeting in Washington, DC), even though there are no specific forms and procedures for non-Section 8 sites, managers should still be mindful of the protections and act accordingly.

See the 4350.3 Handbook, 4-4 C(9) and 6-5 G(1) for details about VAWA protections and items your Tenant Selection Plan must include.

ANSWER KEY

REAC Answers from Quiz on page 2

1-B; 2-E; 3-D; 4-F; 5-A; 6-C

MONTHLY NEWS

Surplus Cash Calculations Under “New” Regulatory Agreements

HUD issued a revised Regulatory Agreement in April, 2011 which includes a “new” definition/calculation of Surplus Cash. This definition only applies to owners that signed the revised 2011 version of the HUD Regulatory Agreement (Form HUD-92466M, Rev. 4/11; HUD-92466M).

CPAs and project accountants should be aware that the new Regulatory Agreement allows the owner to include the mortgage principal and reserve for replacements deposit due in the month following the end of the fiscal year in the Surplus Cash computation. These amounts are to be included in the HUD Chart of Accounts line S1300-110; the description of this account was revised by HUD on December 6th, 2013.

HUD’s position was clarified on January 27, 2014, where HUD specifically lists the items that should be deducted from surplus cash as a result of the new Regulatory Agreement. Escrow (tax and insurance) and MIP payments are not listed, and therefore should NOT be included in the calculation.

It is our understanding however, that there is a new regulatory agreement in draft which will extend the obligations to include one month of tax and insurance escrow deposits. This new agreement will be posted in the Federal Register for public comment.