



December 2014

BREAKING NEWS

HUD clarifies guidance pertaining to a new passbook rate to be effective February 1, 2015

On November 7, 2014, we notified you that HUD issued a new passbook savings rate of 0.06% to be effective February 1, 2015. HUD issued a RHIP Listserv on Friday, November 14, 2014 that clarified HUD's intentions regarding the February 1, 2015 effective date.

To comply with the requirements of the notice, owners are required to use the new Passbook Savings Rate of 0.06% for all certifications effective February 1, 2015 and later. If owners have already completed a certification to be effective on February 1, 2015 or later, the certification will need to be corrected using the 0.06% rate. Additionally, HUD Handbook 4350.3, REV-1 and the HUD model lease permit tenants to request an interim recertification if their income changes before the next recertification. Because a reduction in the Passbook Savings Rate could reduce household income, tenants are permitted to request an interim recertification using the new 0.06% rate beginning February 1, 2015.

While this instruction is clear, related questions regarding how and when compliance software will be updated are pending. In reality, managers will be working on future certifications at the same time they are working on historical certifications. In these situations, will the software:

- Be able to pick from and utilize multiple passbook savings rate based on the effective date of the certification being created?
- Will users be able to reference a software-generated log of passbook savings rates with associated effective date for each?
Or,
- Will users have to continuously update their setup screen to display the correct rate they need incorporated on the certification(s) they are working on?

PMCS is reaching out to several software vendors to ask these questions and offer suggestions that we hope assist in developing a solution.

PMCS - Free Phone Class Giveaways

In honor of celebrating our 25th Anniversary this year, we are giving away a FREE PHONE CLASS to every 25th phone class registrant.

Congratulations to our November Winners:

Julie L., Wilson Manor, Kutztown, PA

Cherie N., VLV Development & Financial Services Corp., Chicago, IL

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BREAKING NEWS

HUD Implements New Passbook Rate To Be Effective February 1, 2015

On October 31, 2014, HUD issued a new HUD Notice, Housing Notice 2014-15 "Passbook Savings Rate Effective February 1, 2015 and Establishing Future Passbook Savings Rates".

Currently, the HUD passbook rate is 2%. Effective February 1, 2015, the HUD passbook rate will be reduced to 0.06%.

What does this figure mean? When calculating income from assets that have a cash value total in excess of \$5,000, HUD requires owners use the greater of "actual income from assets" or the cash value multiplied by the passbook rate. When you multiple the total cash value of the assets by the passbook rate, this figure is called the imputed income from assets.

Some of you might be thinking, "I sure wish my assets were earning that kind of interest rate!" Generally speaking, most asset accounts do not earn that high of an interest rate, despite the HUD passbook rate having been established at 2% for over a decade. Owners using this "arguably inflated" rate to impute income were following the HUD regulation; however, in doing so, they were incorporating imputed asset income figures on the Form 50059 that were probably much higher than what would realistically be earned by the individual. This affects the rental calculations.

HUD Notice 2014-15 should help to resolve this issue in 2015 and future years. The Notice provides guidance that will supersede instruction provided in HUD Handbook 4350.3, Rev-1, Change 4, Section 5-7(F).

Most TRACS software has a set up screen for owners to enter in the current HUD passbook rate, as a standard setting. Make sure you coordinate how and when to update the rate in your software to ensure you do not pre-maturely utilize the lower rate before the February 1, 2015 effective date. You will also have to be sure that all certifications effective February 1, 2015 or later, that have been completed ahead of time, are appropriately corrected, to reflect the correct rate once you update your software. Contact your software vendor if you have specific questions on how to update this information.

QUESTION AND ANSWER

Question:

An applicant household is moving in next week. They signed HUD Form 9887/A when they completed their application ten months ago. Do I have to have them sign a new HUD Form 9887/A when they move in or can I use the one that was completed with their application?

Answer:

~ April in TN

A new HUD Form 9887/A must be signed when the MI occurs. The head of household, spouse, and co-head (regardless of age) along with any other members 18 years of age and older must sign HUD Form 9887/A at the time of move in and at annual recertification. The consent for information form is valid for 15 months from the date of signature.

If the household originally completed the 9887/A ten months ago, it is set to expire in five months. When EIV reports are to be pulled for the next Annual Recertification, the HUD Form 9887/A will have expired - leaving you, as the manager, with no authorized release of information from the tenant.

Also, be sure that individuals turning 18 year of age, since the last recertification, sign the form before EIV is pulled. Notification requirements and timeframes for signature of HUD Form 9887/A for individuals turning 18 between recertifications must be explained in the property's EIV Policies and Procedures.

QUESTION AND ANSWER

Question:

An applicant was evicted from another assisted program for drug related criminal activity last year, but he/she has since completed a drug rehabilitation program. Do I have to reject his application?

~ Steve in Arizona

Answer:

HUD regulations state owners must prohibit admission of any household containing a member who was evicted from federally assisted housing in the last three years for drug-related criminal activity. However, regulations also state you may consider an exception, if the evicted household member has completed an approved, supervised drug rehabilitation program.

If you choose to make this exception, it must be noted in your Tenant Selection Plan and must be applied consistently among all applicants. We recommend obtaining written verification of the completion of the approved, supervised drug rehabilitation program and including in the tenant file along with the background screening information that shows the eviction.

For more information on screening for drug abuse and other criminal activity (including another exception to HUD's requirement listed above), visit Section 4-7C of HUD Handbook 4350.3 REV-1 CHG-4.