PracticalPoints
Celebrating 26 Years of Services and Solutions

July 2015

BREAKING NEWS

HUD Issues Notice PIH-2012-32 (HA), REV-2-Rental Assistance Demonstration-Final Implementation, Revision 2

On June 15, 2015, HUD issued a revised Notice that provides program instructions for the Rental Assistance Demonstration (RAD) program, to include eligibility and selection criteria.

What is RAD, you ask? RAD is a new HUD conversion program geared towards preserving affordable housing inventory by enabling PHAs and owners to have access to private funds to leverage capital repairs for aging properties. This demonstration program gives owners of public housing developments, as well as owners with projects funded under Section 8 Moderate Rehabilitation, Rent Supplement (Rent Supp), Rental Assistance Payment (RAP) programs the option to convert to either project-based vouchers (PBVs) or project-based rental assistance (PBRA). Depending on which "Component" of the Notice is applicable, there may be a competitive process to receive approval, limitations on the number of units that can convert, and varied eligibility and selection criteria.

The 235-page Notice provides additional clarification for existing content, while other provisions of this Notice are subject to a 30-day public comment period. Whether or not HUD receives adverse comments to these provisions will dictate the effective date of the Notice. If you have comments, please submit them to RAD@HUD.gov.

In This Issue

PMCS

829 West Genesee Street
Syracuse, New York, 13204
800-245-PMCS(7627)
solutions@pmcsinc.com

Follow our Blog for Breaking News and Trending Topics in the Affordable Housing Industry.
www.pmcs-icap.com

Training Classes

Upcoming July Training Classes

- Applying Change 4 and TRACS 202D Elements to Real World Certifications - Part II
- EIV Master Reports and Existing Tenant Search
- Affirmative Fair Housing Marketing Plans
- Fundamentals of Expenses and Deductions for 50059s - Part I
- Comprehending EIV Income Reports - Part I
- Basics for Negotiating Tenant Repayment Agreements - Part I
- Utilizing Proper Verification Techniques
- Effectively Preparing For a MOR - Advice From a MOR Veteran - Part I

PMCS offers a variety of interactive webinar classes that are designed to meet the demanding needs of the affordable housing industry. Our training is a cost effective, convenient solution for you and your staff. Visit our website for more information: www.pmcs-icap.com.

BREAKING NEWS

HUD Issues Memo to PRAC Owners to Remit Excess Residual Receipts

On June 19, 2015, HUD issued a memorandum that impacts owners of Section 202 and 811 PRAC properties maintaining residual receipt accounts. This guidance is effective for all PRAC contracts with a renewal date or expiration date of July 19, 2015 or later.

Pursuant to statutory language from the Consolidated and Further Continuing Appropriations Act, HUD is required to recapture residual receipt balances that are in excess of $250 per unit. These monies will be reallocated to continue funding HUD Service Coordinator programs, renewal of Senior Preservation Rental Assistance Contracts (SPRACs), or new Section 811 PRA awards.

The funds must be remitted to HUD upon "termination" of the PRACs. Termination is defined as expiration of the contract term, which for most PRACs falls on the annual contract anniversary date–even if that contract will be renewed. At the appropriate time, owners must prepare and submit Form HUD-9250 "Funds Authorization" to their assigned HUD Account Executive for the release of those residual receipts exceeding $250 per unit.

Residual Receipts proceeds in excess of the allotted $250 per unit amount must be sent to the Accounting Center one of two ways:

1. Via check, made payable to the U.S. Department of Housing and Urban Development, and sent to HUD's lockbox at:
   Bank of America
   PO Box 277303
   Atlanta, GA 303384-7303

   The check information must include the property's project number and "PRAC ERR Termination"

or

2. Via Wire Transfer, using the following wire instructions:
   Bank Name: U.S. Treasury FRB New York
   Bank Address: New York, NY
   ABA Routing Number: 021030004
   Beneficiary: D
   Account Number: 86011101
   Account Holder: U.S. Department of HUD (Ft Worth, TX)

   Owners should continue with the required deposits to these accounts within 90 days after Fiscal Year End.

NEW CLASSES NOW AVAILABLE

Visit our website for a listing of our new webinars.

WHERE WE WILL BE

Jenny DeSilva, PMCS' Director of Training, will be at the Real World Annual User's Conference in July.

RealWorld 2015 User Conference
San Diego Convention Center
San Diego, CA
July 26-29, 2015

BREAKING NEWS

Big News for Owners Needing To Perform a Utility Allowance Analysis

On June 18, 2015 and June 22, 2015, respectively, HUD issued a Memo and Notice H-2015-04 detailing new sampling methodologies Owners/Agents must use to determine baseline utility allowances for each of their bedroom sizes, once every third year.

Properties with contract anniversary dates within 180 days of publication of Notice H-2015-04 can choose to perform their upcoming annual utility analysis using either their current methodology or the methodology outlined in this Notice. If the existing methodology is used, a baseline analysis must be performed at the next contract anniversary date, using HUD's newly prescribed methodology.

Properties with contract anniversary dates 180 days after publication of this Notice must perform their upcoming utility analysis using the methodology outlined in the Notice.

Once a baseline analysis is performed via the new methodology, subsequent adjustments, in years two and three, can be determined using the HUD Utility Allowance Factors (UAF) to adjust the utility allowances.

Over the course of a three-year period, this methodology should decrease the cumulative administrative burden to analyze and request adjustments to utility allowances. Owner financing options regarding the possible acquisition of software to perform the analysis and a one-time management add-on fee during the first year of implementation is also discussed in the Notice.

If your residents receive a utility allowance, these new procedures will impact your contract renewal or rent adjustment submission. If you need assistance in implementing the new methodology, gathering the data and/or performing the analysis, please contact PMCS at solutions@pmcsinc.com to learn more about our utility allowance analysis services.

QUESTION AND ANSWER

Question:

The largest unit size at my property is a 2 bedroom with an occupancy standard of 2-4 people, as discussed in our Tenant Selection Plan. I have a family that was 4 members when they moved in. However, the family has since increased by 2 more members, for a household size that now totals 6 people in a 2 bedroom unit. Should I now evict this household for surpassing the occupancy standards for my property?

~Jasmine-Pennsylvania

Answer:

Based solely on the information you provided in your question, the answer is no. Per Section 3-23 H of HUD Handbook 4350.3, Rev-1, Change 4, "After a family moves into a unit, the unit may become overcrowded or underutilized due to a change in family size. The owner may require the family to move to a unit of appropriate size. If a unit of appropriate size is not available, the owner must not evict the family and must not increase the family's rent to the market rent."

Keep in mind, occupancy standards apply when selecting the applicant, prior to move in. If a household grows in number, once they are "in-place" residents, you can require they transfer to a larger unit size, if one is available. If the household refuses the available transfer, the owner is permitted to charge them market rent for their current unit. If they already reside in the largest available unit, local code enforcement (not HUD guidelines) may play a role in determining what legal action may follow. PMCS recommends that you consult with your legal representation if this situation becomes a code enforcement issue.