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2014

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HUD Multifamily Transformation:

"I am writing you today to share an update about the progress that is occurring with the Multifamily for Tomorrow transformation. As you know, HUD is moving forward with its plan to transform the Office of Multifamily Housing. Since receiving the green light from Congress to move forward with MFT, we have been right on schedule for meeting every single milestone for the transformation of headquarters and the field.

The transformation will take place across the country in five consecutive waves over two years, and will include the following components: National Workload Sharing, the Underwriter Model and risk-based processing in Production, the Account Executive Model in Asset Management, and streamlining the organizational structure in headquarters and in the field. As these changes unfold across the country, we anticipate that our customers and stakeholders will experience better service, more efficient and consistent Multifamily operations, and improvements in our risk management processes.

Streamlining the Organization
The first wave of our field transformation is underway in the Fort Worth / Kansas City region. Employees in this region have received their reassignment letters, and employees are beginning to relocate from the future Asset Management Servicing Offices, where Production operations are being consolidated, to the Regional Center in Fort Worth and the Regional Satellite Office in Kansas City.

In recent weeks, HUD leadership has partnered with the Union to visit the future Asset Management Servicing Offices in Wave 1 with the goal of meeting one on one with employees who will be impacted by the transformation. We have worked towards individual solutions for many of the impacted employees in those offices. These visits will continue with Wave 2 later this month.

As we roll out the new MFT model, we have posted to USAJobs.gov a total of 33 new positions in our Fort Worth / Kansas City region and 24 positions in headquarters. For many of these positions, we will have multiple vacancies and we have a great slate of candidates coming in. Interviews for these positions will be conducted through the end of this month.

We are on schedule for all employees in the Fort Worth and Kansas City region to be in place in their new locations and positions by October 6th. In addition to our Production employees who will be relocating, over 27% of Asset Management employees in the future Wave 1 Asset Management Servicing Offices have raised their hand to voluntarily relocate to either the Regional Center in Fort Worth or the Regional Satellite Office in Kansas City. We are very excited about this transition, which will be followed by comprehensive training for employees in these offices.
Training Employees in the New Model
For the training program that will take place, we have developed a "train the trainer" model to ensure that HUD staff are both teaching and learning throughout the process. Development of the training content is underway, with nearly 60 field and HQ staff members involved in designing the content that will be taught to our 1,200 field staff nationwide. The training material will use a case-based model and will include involvement from our stakeholders.

Anchored in the standard work, the training program will ensure that all HUD staff, both long-time and brand-new, are equipped with the technical abilities and customer service skills needed to successfully operate the Underwriter Model and risk-based processing in Production, and the Account Executive Model in Asset Management.

We have already begun implementing pieces of the new model in Fort Worth and Kansas City, including single point of entry, single loan committee, and single newsletter.

Workload Sharing
One of the four main transformation initiatives is workload sharing, which is designed to improve our workload management. In Production, we are very pleased that for the first time since before the housing market collapse, there is no longer a queue in the Production workload.

In Asset Management, our employees have been working diligently to develop the paperless infrastructure that will allow offices to share workload all around the country to ensure consistent workloads and processing times. This has involved scanning files electronically to manage the workload around the country.

The Fort Worth and Kansas City region has completed its scanning of 420 boxes with 4368 assets in preparation for workload sharing, and will be reassigning 1400 assets to the Asset Management service contract in the next week. This will provide Wave 1 employees with additional capacity as they transition into their new positions and locations and undergo their training regimen.

For the Chicago, Minneapolis, and Detroit region, the scanning process kicked off last month. Asset Management staff in that region delivered 180 boxes containing 839 quality controlled project files to Chicago in time for the start of the scanning process. The Wave 2 scanning project now underway and is scheduled to be completed by August 29th.

As MFT continues to roll out across the country, we will continue to share updates with you about the progress that is taking place. We thank you for your continued engagement as we move forward with building a better Office of Multifamily Housing for the future."

Ben Metcalf, the Deputy Assistant Secretary for the Office of Multifamily Housing
Cooperative Housing Loans:

SECTION 213

Section 213 insures lenders against loss on mortgage defaults. Section 213 enables nonprofit cooperative housing corporations or trusts to develop or sponsor the development of housing projects to be operated as cooperatives. Section 213 also allows investors to provide good quality multifamily housing to be sold to non-profit corporations or trusts upon completion of construction or rehabilitation.

2013 closed on two projects

Section 221 (d)(4)

Section 221(d)(4) insures lenders against loss on mortgage defaults. Section 221(d)(4) assists private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. The program allows for long-term mortgages (up to 40 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage Backed Securities.

2013 Closed 160 projects including rentals

Section 223(f)

By guaranteeing the mortgage, FHA’s Section 223(f) Program allows this 35-year loan to be financed with Government National Mortgage Association (GNMA) Mortgage-Backed Securities. This eligibility for purchase in the secondary mortgage market improves the availability of loan funds and permits more favorable interest rates.

Section 202

The Section 202 program helps expand the supply of affordable housing with supportive services for the elderly. It provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc. The program is similar to Supportive Housing for Persons with Disabilities (Section 811).

Section 203(n) – Share loans

The purpose of FHA’s mortgage insurance programs is to encourage lenders to make mortgage credit available to borrowers who would not otherwise qualify for conventional loans on affordable terms (such as lower income families and first-time homebuyers).
and to residents of disadvantaged neighborhoods (where mortgages may be hard to get).
PBCA NOFA STATUS UPDATE—August 19, 2014

On August 8, 2014, the United States Court of Appeals for the Federal Circuit denied HUD's petition for rehearing the appeal of CMS Contract Management Services, Inc., et al. v. United States. HUD and the Department of Justice are reviewing options. We will post an update when more information is available.

NOTE: The number of Project-Based Section 8 Housing Assistance Payments (HAP) contracts assigned to PBCAs changes periodically as contracts are transferred from Traditional Contract Administrators (TCAs) to PBCAs, contracts are transferred from HUD to PBCAs, or contracts are transferred from PBCAs to HUD. The number active PBCA assigned Section 8 Contracts listed below may change prior to the execution of the ACC.

The management and occupancy review (MOR) requirements under Performance Based Task #1 in Exhibit A, Section 3.1, of the ACC has changed. MORs are required only for projects with an Unsatisfactory, Below Average, and Satisfactory rating assigned to the last review under the Risk Based MOR approach. No MORs will be conducted for projects with an Above Average and Superior rating assigned to the last review during either 12-month period of the ACC Term. MORs are required for all Mark-to-Market projects without regard to the rating assigned to the last review.
Violence against Women Reauthorization Act:

New Requirements Imposed by the Violence Against Women Reauthorization Act
The Violence Against Women Reauthorization Act ("VAWA"), which President Obama signed into law on March 7, imposes new obligations on colleges and universities under its Campus Sexual Violence Act ("SaVE Act") provision, Section 304. Those obligations—which to some extent refine and clarify, and to some extent change, existing legal requirements and government agency enforcement statements—likely will require revision of institutional policy and practice. Counsel should be consulted on this complex, sensitive area of institutional law compliance.

Under VAWA, colleges and universities are required to:
• Report domestic violence, dating violence, and stalking, beyond crime categories the Clery Act already mandates;

• Adopt certain student discipline procedures, such as for notifying purported victims of their rights; and

• Adopt certain institutional policies to address and prevent campus sexual violence, such as to train in particular respects pertinent institutional personnel.

The interplay of VAWA and other pronouncements—notably the April 4, 2011 Dear Colleague Letter under Title IX issued by the Office for Civil Rights of the Department of Education ("ED") ("OCR Guidance Letter") and prevailing institutional policy—warrants legal risk management judgment by institutional counsel and compliance officers, and implicates a range of management steps. Here we identify some key points.

I. New Reporting Requirements
VAWA's SaVE Act provision imposes new reporting requirements:

A. The Clery Act requires annual reporting of statistics for various criminal offenses, including forcible and non-forcible sex offenses and aggravated assault. VAWA's SaVE Act provision adds domestic violence, dating violence, and stalking to the categories that, if the incident was reported to a campus security authority or local police agency, must be reported under Clery. Parsed for clarity, these offenses are defined:

1. "Domestic violence" includes asserted violent misdemeanor and felony offenses committed by the victim's current or former spouse, current or former cohabitant, person similarly situated under domestic or family violence law, or anyone else protected under domestic or family violence law.

2. "Dating violence" means violence by a person who has been in a romantic or intimate relationship with the victim. Whether there was such relationship will be gauged by its length, type, and frequency of interaction.
3. “Stalking” means a course of conduct directed at a specific person that would cause a reasonable person to fear for her, his, or others' safety, or to suffer substantial emotional distress.

B. The provision adds “national origin” and “gender identity” to the hate crime categories, involving intentional selection of a victim based on actual or perceived characteristics that must be reported under the Clery Act.
C. The provision requires, with respect to the “timely reports” the Clery Act mandates for crimes considered a threat to other students and employees, that victims' names be withheld.
D. The Campus SaVE Act takes effect with respect to the Annual Security Report that must be issued by each institution no later than October 1, 2014. Final regulations to implement statutory changes to VAWA will not be effective until after ED completes the rulemaking process. Until regulations are issued, ED expects institutions to “to make a good faith effort to comply” with the requirements. For more information, see ED’s electronic announcement May 29, 2013, on this issue.

II. New Student Discipline Requirements
A. Current requirements in the Clery Act are that institutions inform students of procedures victims should follow, such as preservation of evidence and to whom offenses should be reported. VAWA adds that institutional policy must also include information on:
   1. Victims' option to, or not to, notify and seek assistance from law enforcement and campus authorities.
   2. Victims' rights and institutional responsibilities regarding judicial no-contact, restraining, and protective orders.

B. VAWA prescribes standards for investigation and conduct of student discipline proceedings in domestic violence, dating violence, sexual assault, and stalking cases.
   1. Institutional policy must include a “statement of the standard of evidence” used. Unlike some earlier drafts of the legislation, VAWA does not prescribe the evidentiary standard. The OCR Guidance Letter, at page 11, directs a standard of “preponderance of the evidence.” That letter, although not positive law, authoritatively represents OCR enforcement policy. Whether OCR’s position would withstand judicial review is an open question.

   2. Institutional officials who conduct the proceeding must be trained on how to investigate and conduct hearings in a manner that “protects the safety of victims” and “promotes accountability.”

   3. Institutional policy must identify “sanctions or protective measures” the institution may impose following a final determination of rape, acquaintance rape, domestic violence, dating violence, sexual assault or stalking.

   4. “[T]he accuser and the accused are entitled to the same opportunities to have others present during an institutional disciplinary proceeding, including the opportunity to be accompanied to any related meeting or proceeding by an advisor of their choice....”
5. Accuser and accused must be notified “simultaneously” and “in writing” of: the outcome of the proceeding; appeal procedures; any change to the result before it becomes final; and when the result becomes final. The OCR Guidance Letter, at page 13, merely “recommends” that the parties be provided the determination “concurrently.”

6. Institutional policy must address how victims' confidentiality will be protected, including record-keeping that excludes personally-identifiable information on victims. OCR's Guidance Letter, at page 5, encourages institutions to be cognizant of victims' confidentiality, but does not mandate that institutional policy address it.

III. New Requirements to Educate Students and Employees on Sexual Violence
Under VAWA, new students and new employees must be offered “primary prevention and awareness programs” that promote awareness of rape, acquaintance rape, domestic violence, dating violence, sexual assault, and stalking. The OCR Guidance Letter, at pages 15-16, “recommends” that institutions implement preventive education programs; VAWA is more prescriptive in its requirements. The training programs must include:
A. A statement that the institution prohibits those offenses.
B. The definition of those offenses in the applicable jurisdiction.
C. The definition of consent, with reference to sexual offenses, in the applicable jurisdiction.
D. “Safe and positive” options for bystander intervention an individual may take to “prevent harm or intervene” in risky situations.
E. Recognition of signs of abusive behavior and how to avoid potential attacks.
F. Ongoing prevention and awareness campaigns for students and faculty on all of the above.

Conclusion
VAWA's ramifications include that institutions will need to review and modify policies and procedures for handling asserted sexual offenses, and train carefully personnel responsible in this area. This memo primarily addresses VAWA. Requirements under the OCR Guidance Letter, the Clery Act, Title IX, Title VII, State employment laws, local human rights ordinances, or the sundry apposite regulations and agency pronouncements are also relevant and should be reviewed. College and university counsel expert on those and on faculty, student, and staff rights under institutional handbooks, manuals, and other policies should be consulted. In light of acute sensitivities on campus in this sphere, and by parents of students involved in these situations, and the common prospect of related civil and criminal litigation as well as often extensive publicity, university leadership should give close reading and attention to VAWA and its requirements.
Change 4- Occupancy 4350.3:

Removal and Renumbering of Appendices

In addition to the revised implementation period, the revised transmittal identifies the removal of all appendices associated with Chapter 9 of HUD Handbook 4350.3 REV-1, Change 3. These include: Appendix 7-A, Appendix 7-B, Appendix 9, Appendix 10 A, Appendix 10 B, Appendix 10 C, Appendix 10 D, Appendix 11, Appendix 12, and Appendix 13. As a result, the appendices have been re-numbered.

Appendix 1 - The Affirmative Fair Housing Marketing Plan still links to the current form which expired 8/31/2013. HUD has not yet posted a new version of this form.

Appendix 3 was updated to:

I. Include a new column "Provided by Applicant" under Third Party Verification.
II. Include a Note referencing examples & requirements in 5-13.B.1 (refers to adding UIV and the order of acceptable verifications.
III. Update Appendix 3 to align with new verification techniques in 5-13, including self-declaration of income items.

The Section 8 Fact Sheet (now Appendix 7B) is the current September 2010 version of the Fact Sheet.

Additional Changes

A collaboration of respected occupancy trainers are continuing to compare the "original Change 4" with the "new Change 4" to determine if there are any additional changes. Highlights so far include:

And, a small clarification to verification techniques was made in paragraphs 5-13.B-1-b-2 and 9-10.A. While the changes to Chapters 5 and 9 are minor, they have significant impact when owner/agents are verifying employment income and Social Security income.

Background: "Original Change 4"

On August 22, 2013, HUD announced it had posted Change 4 to HUD Handbook 4350.3 REV-1 "Occupancy Requirements of Subsidized Multifamily Housing Programs."
The full 772-page handbook has been updated to include information from previously issued guidance on:

- Use of the Enterprise Income Verification (EIV) system.
- Violence Against Women Act (VAWA) requirements.
- Supplemental Information to Application for Federally Assisted Housing.
- Rent Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs; Final Rule.
- requirements relating to admission of individuals subject to State lifetime sex offender registration.

The transmittal outlines the specific areas where the changes have been incorporated. As indicated in the transmittal, "changes are designated by an asterisk (*) at the beginning and ending of the change, and the page will show 8/13 as the date. The last major update, Change 3, was in July 2009.

A major notable changes is that the old Chapter 9 was omitted completely.

The new Chapter 9 focuses on Enterprise Income Verification (EIV). And, elements of the old chapter related to excess income now reside solely in HUD’s asset management handbook 4350.1, and elements related to special claims are covered within the special claims guide.

Because NAHC, working in collaboration with others, was able to identify a number of small but significant changes requiring updates to existing TRACS software (changes ARE coming, just not yet available), confusion regarding changes in language about the student rule, and impacting certain operational norms, HUD indicated that communications will be issued shortly to clarify concerns and to provide specific timeframes for software-related implementation delays.

Also updated:

4350.1 – Disaster update
4350.2 - Section 202 loans update
Discrimination based on sexual preferences:

The federal Fair Housing Act prohibits housing discrimination based on race, color, national origin, religion, sex, disability, and familial status (i.e., presence of children in the household). The Fair Housing Act does not specifically include sexual orientation and gender identity as prohibited bases. However, a lesbian, gay, bisexual, or transgender (LGBT) person's experience with sexual orientation or gender identity housing discrimination may still be covered by the Fair Housing Act. In addition, housing providers that receive HUD funding, have loans insured by the Federal Housing Administration (FHA), as well as lenders insured by FHA, may be subject to HUD program regulations intended to ensure equal access of LGBT persons.

Examples:

- A gay man is evicted because his landlord believes he will infect other tenants with HIV/AIDS. That situation may constitute illegal disability discrimination under the Fair Housing Act because the man is perceived to have a disability, HIV/AIDS.

- A property manager refuses to rent an apartment to a prospective tenant who is transgender. If the housing denial is because of the prospective tenant's non-conformity with gender stereotypes, it may constitute illegal discrimination on the basis of sex under the Fair Housing Act.

- An underwriter for an FHA insured loan is reviewing an application where two male incomes are being used as the basis for the applicants' credit worthiness. The underwriter assumes the applicants are a gay couple and, as a result, denies the application despite the applicants' credentials. This scenario may violate HUD regulations which prohibit FHA-insured lenders from taking actual or perceived sexual orientation into consideration in determining adequacy of an applicant's income.

If you believe you have experienced (or are about to experience) housing discrimination, you should contact HUD's Office of Fair Housing and Equal Opportunity for help at (800) 669-9777. You may also file a housing discrimination complaint online. HUD will thoroughly review your allegation to determine if the claims you raise are jurisdictional under the Fair Housing Act.
Additionally you should contact your local HUD office for assistance with alleged violations of HUD programs regulations.

If you have a general question about LGBT fair housing issues or need information about HUD regulations intended to ensure equal access of LGBT persons, please email LGBTFairhousing@hud.gov.

Finally, many state, city, and county laws specifically include sexual orientation and gender identity as prohibited bases. You may wish to contact your state or local human rights agency to determine coverage under those laws. Below is a list of states, of which HUD is aware, that specifically include sexual orientation and gender identity in their state fair housing laws. We have also identified the corresponding state human rights enforcement agency. HUD does not warrant this list as current or comprehensive.
CASH SURPLUS:

Handbook 4350.1—REV.1
SUBJECT: Use of "New Regulation" Section 8 Housing Assistance Payments (HAP) Contracts Residual Receipts to Offset Project-Based Section 8 Housing Assistance Payments

I. Purpose
When Owner distributions of surplus cash are limited or prohibited and when HUD determines that project funds are more than the amount needed for project operations, reserve requirements, and any permitted distributions, the excess income is typically required under the applicable new regulation1and/or the Section 8 Housing Assistance Payments (HAP)contract to which the project is subject to be deposited in to an interest-bearing account, often called the Residual Receipts account, to be used for project purposes.2This account (or accounts in cases where these monies are deposited in multiple accounts), however titled or designated, is referred to throughout this Notice as the "Residual Receipts" account. The contents of this account, however titled or designated, are referred to throughout this Notice as "Residual Receipts." The new regulation and/or the various HAP contract forms used for new regulation projects explicitly permit HUD to use Residual Receipts to reduce housing assistance payments. (See 24 CFR §§ 880.205(e), 881.205(e), and 883.306(e)).

This Notice sets forth the policy and procedures for the Department's use of new regulation Residual Receipts to offset housing assistance payments for projects subject to a new regulation Project-Based Section 8 HAP contract and outlines the obligations and duties of Owners and the responsibilities of HUD Field staff in processing and monitoring the use of this project resource.

II. Background
Although Section 8 Project-Based Rental Assistance (PBRA) was funded in the Fiscal Year 2012 budget at levels sufficient for the Department to continue full funding of all contracts, the Department is committed to achieving savings in order to slow the growth of PBRA expenditures and to effectively manage the account within appropriated levels. This policy change will produce PBRA savings, constrain future expenditures, and ensure the long-term stability and availability of PBRA for all program participants.
III. Applicability and Implementation
A. This Notice applies to all projects that are subject to a new regulation Project-Based Section 8 HAP contract. Applicability includes Section 8 New Construction/Substantial Rehabilitation projects subject to 24 CFR §§880.205, 881.205, or 883.306, and projects that are subject to both a Section 202 Direct Loan and a new regulation Section 8 HAP contract.3

B. This Notice does not apply to Section 202 and Section 811 projects with Project Rental Assistance Contracts (PRACs) and Project Assistance Contracts (PACs).

C. This Notice will be effective with vouchers submitted 60 days after issuance of this Notice.

IV. Authority
As stated above, authority for the Department to use new regulation Residual Receipts to offset Section 8 HAP payments is found in the new regulations and/or in new regulation HAP contracts.
A. There is regulatory authority in 24 CFR §§ 880.205(e), 881.205(e), and 883.306(e).

1. 24 CFR § 880.205(e): If HUD determines at any time that project funds are more than the amount needed for project operations, reserve requirements and permitted distribution[s], HUD may require the excess to be placed in an account to be used to reduce housing assistance payments or for other project purposes. Upon termination of the Contract, any excess funds must be remitted to HUD.

2. 24 CFR § 881.205(e): If HUD determines at any time that project funds are more than the amount needed for project operations, reserve requirements and permitted distribution[s], HUD may require the excess to be placed in an account to be used to reduce housing assistance payments or for other project purposes. Upon termination of the Contract, any excess funds must be remitted to HUD.

3. 24 CFR § 883.306(e): If the Housing Finance Agency (HFA) determines at any time that surplus project funds are more than the amount needed for project operations, reserve requirements and permitted distributions, the HFA may require the excess to be placed in a separate account to be used to reduce housing assistance payments or for other project purposes. Upon termination of the Contract, any excess project funds must be remitted to HUD.

B. There is corresponding authority in the HAP contracts for new regulation Part 880, Part 881, Part 883 projects, and for Section 202/8 projects that are subject to a new regulation Section 8 HAP contract (i.e., usually in section 2.6 of such contracts). The contract provisions are typically phrased as follows: "Withdrawals from this [residual receipts] account will be made only with the approval of HUD [for Part 883 projects of the HFA] and for project purposes, including the reduction of housing assistance payments."
V. Programmatic Summary
A. To the extent that Residual Receipts are available at a new regulation project, Owners are allowed an initial reserve ("Retained Balance") in an amount equivalent to $250 per unit to use for project purposes. HUD will consider approving requests for releases from the accounting accordance with the outstanding procedures found in HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing, Chapter 25, "Residual Receipts," paragraph 25-9.

B. To the extent Residual Receipts are available at a new regulation project, Owners may use Residual Receipts to fund a Service Coordinator program, subject to HUD approval. The $250 per unit Retained Balance is net of the Residual Receipts necessary to fund a Service Coordinator program. That is, Residual Receipts funds in excess of the Retained Balance may be used to fund a Service Coordinator Program prior to offsetting Section 8 HAP payments.

C. Residual Receipts account balances in excess of $250 per unit must be applied on a monthly basis to offset Section 8 HAP payments up to the full amount of the monthly subsidy request, depending upon the amount of Residual Receipts available for the offset. Monthly offsets must continue until the Residual Receipts account reaches the Retained Balance level of $250 per unit.

D. Owners must follow the instructions in Section VI to voucher for offset of Section 8 HAP payments.

E. Owners of projects with Residual Receipts account balances at or below the Retained Balance shall voucher for full monthly HAP payments through the Tenant Rental Assistance Certification System (TRACS) in accordance with existing procedures.

F. At the end of the project’s fiscal year, all surplus cash remaining after payment of any permissible distributions must be deposited into the project’s Residual Receipts account.

G. If, after all Residual Receipts have been applied to offset Section 8 HAP payments and the Residual Receipts account balance again exceeds the Retained Balance level of $250 per unit due to an annual deposit of surplus cash, offsets of Section 8 HAP payments must be re-initiated.

VI. Owner Requirements
A. In order to accomplish the Offset Process, project Owners must submit miscellaneous payment request through the Contract Administrator along with their electronic monthly HAP voucher. The request must include: (a) the amount of the offset, expressed as a negative amount and (b) the text phrase "RR OFFSET" in the comment field, along with the actual offset amount inserted.
1. The miscellaneous payment request must be sent to "Field Office Initiated Accounting Adjustment," with a code of "FORQ." TRACS will automatically deduct the offset amount from the total voucher amount approved, thus assuring that the proper amount will be paid via TRACS.

2. When making the miscellaneous payment request, Owners must simultaneously submit form HUD-9250, Funds Authorizations for Use of Reserve for Replacement or Residual Receipts, to the HUD Field Office as documentation of the offset.

3. Incomplete submissions will delay processing. Field Offices will return incomplete submissions to Owners with a letter detailing the deficiencies.

B. Owners shall submit Annual Financial Statements, which include surplus cash computation sheets, in the form and to the entity currently required by the Department, within 90 days of the end of the annual fiscal period. Owners who are not required to file annual financial statements shall submit a year-end certified statement to their local HUD Office, providing total disbursements as well as the beginning and year-end balance in the Residual Receipts account.

C. At the end of the project's fiscal year, all surplus cash remaining after payment of any permissible distributions must be deposited into the project’s Residual Receipts account and shall be used to offset Section 8 HAP payments based on the requirements and procedures established in this Notice.

VII. Hub/Program Center Responsibilities
A. Owner Submissions of HUD-9250

1. Hub/PC staff shall date-stamp Owners’ submissions upon receipt and process them within 10 business days.

2. Hub/PC staff shall return incomplete submissions to Owners immediately with a formal letter listing the deficiencies in the submission.

B. Reviews and Approvals

1. Prior to the first required offset of Residual Receipts, the Hub/PC shall notify the PBCA or TCA at least 45 days in advance of the proposed effective date of the offset. The effective date of the offset will be the first day of the month which follows the conclusion of the 45-day notification period.

   a. Example #1: If the Hub/PC notifies the PBCA or TCA that HUD has directed the offset on June 15, the offset will be made effective on August 1st.

   b. Example #2: If notification of offset is given on May 1st the offset may be made effective on July 1st.

2. The Field Office Project Manager shall review and assure that the offset amount is correct, and notify the PBCA regarding the amount of the off-set.
3. The Hub/PC Director or designee shall sign the request.

4. The Hub/PC shall maintain copies of all approved releases in accordance with the document retention regulations (HB 2225.6—HUD Records Disposition Schedules, Appendix 10).

5. The Hub/PC shall submit form HUD-9250 authorizing releases to the

C. Monitoring

The Hub/Program Center shall:
1. Keep track of the remaining balance in the Residual Receipts account available for offsetting Section 8 HAP payments.

2. Ensure that Owners are using Residual Receipts to offset Section 8 HAP payments when the account is in excess of the Retained Balance.

3. For those for which they are responsible, review Owners' annual financial statements to assure proper accounting of withdrawals from the Residual Receipts account.

4. After each release, enter comments into the “Servicing” screen of the Integrated Real Estate Management System (IREMS) stating the:
   • Date approval was given to use Residual Receipts to offset Section 8 HAP payments, and
   • Amount approved.

VIII. Headquarters Responsibilities

The Office of Asset Management shall process Owners' appeals of decisions that cannot be resolved at the Hub or Program Center level. Owners must submit a letter describing the issue, along with supporting documentation, to the Hub or Program Center. The Hub in turn, will forward the Owner's appeal to the Director of Asset Management for response.

If you have questions, please contact the Project Manager in the Hub/Program Center with jurisdiction over the subject project or the Desk Officer in the Office of Asset Management, Headquarters. _______________________________ Carol J. Galante Acting Assistant Secretary for Housing – Federal Housing Commissioner
REAC Inspectors will start to use photographs on REAC Inspections:

DCD 4.0 Web Page

ATTENTION: NOTIFICATION OF UPCOMING CHANGES TO DCD 4.0 SOFTWARE

REAC is further enhancing its inspection reporting process by including photo documentation of deficiencies observed during the course of the inspection. Initially, the photo documentation will limit its activity of photographing only Level 3 observed deficiencies. During the initial phase a limited number of inspectors will be utilizing our new photograph capability in selected physical inspections of Public Housing and Multifamily properties. We are making efforts to ensure that all affected properties are aware that inspectors will be photographing deficiencies. These inspections will be inspections of record, with the inspection report reviewed and released like any other REAC physical inspection and will now include photo documentation.

The proposed timeframe is as follows: beginning this month, QA Inspectors will test the software. After QA testing is complete, the photograph capability will be expanded to all physical inspections, with the time period from October 2014 to December 2014 devoted to the full implementation of this technology. Further communications will be provided in the near future concerning the full implementation timetable; however, all inspectors should begin to prepare.

MOR UPDATE:

While the Performance Base Contract Administrator (PBCA) contracts are still in litigation, some HUD hubs have started their own MOR inspections. Those states which are not in litigation the PBCA continues their MOR’s.
EIV Reports:

EIV is a highly specialist program with strict security. I keep changing, recently some states have changed their procedures and those states will have to verify income differently. Here is the informational reports generated by EIV:

a. Summary report
b. Income Report
c. Income Discrepancy Report
d. No Income Reported in 50059 (Tracs)
e. No Income Reported by HHS or SSA
f. New Hires Report
g. Existing Tenant Search
h. Multiple Subsidy Report
i. Failed EIV Pre-Screening Report
j. Failed Verification Report
k. Deceased Tenant Report

HUD Tracking Travel Expenses:

If your client or you are on the Board or a member of a cooperative that is supervised under HUD, please note the following:

Many management companies charge travel expenses to the site. If during the HUD audit the proper documentation is not set forth, the management company ends up reimbursing the site for those expenses. With this being said, it is very important that the management company establishes a "Travel Policy". HUD auditors have found improper or excessive travel expenses, insufficient or lack of proper documentation or lack of a travel policy to control travel expenses. Management should have a travel policy to make sure that the expenses are legitimate and reasonable travel expenses. Part of the policy should include a detailed travel expense form for any employee who is
authorized to travel. In the policy it should state; when is travel permitted; detailed on how to make travel arrangements; what expenses are permitted, which ones are not; use of company credit cards, cash and out-of-pocket expenses and how to fill out the travel expense form.

**Implementation of Tenant Participation Requirements in accordance with 24 CFR Part:**

**Thursday, September 11, 2014**

This notice supersedes Notice H 2012-21 addressing the same subject. Procedures for tenants to appeal findings of complaints filed with the Hub or Program Center (Hub/PC) have been added to Section F. The Department of Housing and Urban Development’s regulations governing tenant participation in multifamily housing projects are found at 24 CFR Part 245 Subpart B.

These regulations reflect HUD’s commitment to tenant participation, individually and through legitimate tenant organizations as defined in 24 CFR 245.110. HUD believes that tenant participation is an important element to maintaining sustainable projects and communities. This Notice addresses available sanctions and the use of civil money penalties as tools to enforce the HUD’s commitment to tenant participation.

The entire notice can be read here: [HUD NOTICE 14-12](#)
# Flood Zone Requirements

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<thead>
<tr>
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<th>New &amp; Proposed Construction</th>
<th>Existing Construction</th>
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</thead>
<tbody>
<tr>
<td>Life-of-Loan Flood Zone Determination</td>
<td>Required</td>
<td>Required</td>
</tr>
<tr>
<td>Property located within Coastal Barrier Resource System (Protected)</td>
<td>Property Not Eligible for FHA Insurance</td>
<td>Property Not Eligible for FHA Insurance</td>
</tr>
<tr>
<td>Property located within Special Flood Hazard Area (SFHA)</td>
<td>Property Not Eligible for FHA Insurance</td>
<td>Adequate Flood Insurance for term of loan (If insurance under NFIP not available, property not Unless)</td>
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<td>Unless</td>
<td>Unless</td>
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<tr>
<td>Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) Or</td>
<td>Property Eligible for FHA Insurance</td>
<td>No Flood Insurance Required Or</td>
</tr>
<tr>
<td></td>
<td>Or</td>
<td>Flood Insurance Required (if property remains in SFHA)</td>
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</tbody>
</table>

FEMA National Flood Insurance Program (NFIP) Evaluation Certificate (FEMA Form 81-31)
Multifamily Policy Priorities for Calendar Year 2014:

On March 5, HUD Deputy Assistant Secretary for Multifamily Housing Ben Metcalf released a memorandum outlining the Office of Multifamily Housing’s highest policy priorities for calendar year 2014. These policies were developed by the Office of Multifamily Housing’s new Program Administration Office (PAO), which is designed to make HUD multifamily programs and services more responsive to stakeholder feedback and to approach policy development in a more strategic and transparent manner. PAO is staffed by specialists in the areas of policy development, strategic thinking, project management, communications, and subject matter experts from within multifamily program areas. The memorandum also provides a useful chart of staff contact information for PAO.

The Office of Multifamily Housing's priorities are based on five broad goals:

- Producing and preserving affordable housing for those most in need and in locations where it's most needed;
- Preserving affordable housing by improving risk management practices and expanding or enhancing preservation programs;
- Strategically controlling program costs by taking innovative approaches to managing HUD’s multifamily portfolio;
- Making the business case for increased investments in our programs to provide the tools HUD needs to do its work; and
- Continuing to provide quality customer service while transforming the way HUD works to 21st century best practices.

To achieve these goals, the Office of Multifamily Housing has identified 25 policy priorities, which are outlined in the memo. These priorities include several initiatives of interest to state HFAs, such as:

- Policy adjustments to provide more flexibility within the Housing Credit mortgage insurance pilot and expanding the pilot to the 221(d)(4) mortgage insurance program;
- Implementing the Small Multifamily Buildings Risk-Share initiative;
- Expanding the Rental Assistance Demonstration (RAD) by lifting the cap from 60,000 units of public housing and Section 8 Moderate Rehabilitation (Mod Rehab), extending the demonstration timeframe for Rent Supplement and the Rental Assistance Program (RAP), encouraging the use of RAD to achieve the neighborhood revitalization goals of the new Promise Zone Program, and establishing the Recapitalization Office to replace the Office of Assisted Housing Programs (OAHP);
- Revising and issuing HUD Handbook 4350.1, to provide clear and current guidelines to industry partners and field staff to improve risk management
practices, enhance portfolio oversight, and ensure the availability of high quality assisted and insured housing opportunities;
- Reviewing Rent Comparability Study and budget-based rent policies and procedures; and
- Implementing the Office of Multifamily Housing Transformation initiatives

**Other HUD Issues:**
Revised Section 8 Renewal Guide
Affirmative Fair Housing Marketing Plan (AFHMP)
Owner Certification of Financial Statement under $500,000.00
HUD Small Multifamily Risk Sharing Program Section 542
HUD wants to change funding from fiscal to calendar year