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MEMORANDUM FOR: Owners, Management Agents and Project Managers

FROM: Tom Azumbrado, Director, San Francisco Multifamily Hub, 9AHM

SUBJECT: Fees for Late Payment of Rent in HUD Subsidized Properties

This memorandum reissues and clarifies the policy concerning the collection of fees for late payment of rent issued September 27, 2002 for projects under the jurisdiction of the San Francisco and Sacramento.

Owners may choose to adhere to the terms of the Handbook and Model Lease which state that on the 6<sup>th</sup> day an owner may charge a fee, not to exceed \$5, and may charge an additional fee of \$1 per day for each additional day the rent remains unpaid, not to exceed \$30. No lease addendum is required in this case.

Owners may also choose to collect a flat late fee; the maximum amount that may be collected per month is \$20. This flat late fee will be due on the 6<sup>th</sup> day of the month and thereafter. Owners who choose this option must include the following language in an Addendum to the HUD Model Lease.

“Landlord and Tenant, in consideration of the covenants and promises contained herein and in the Lease, hereby agree as follows:

1. Charges for Late Payments. If the tenant does not pay the full amount of the rent shown in paragraph 3 of the Lease by the end of the 5<sup>th</sup> day of the month, the Landlord may collect a fee of \$20 per month on the 6<sup>th</sup> day of the month and thereafter. The Landlord may not terminate this Agreement for failure to pay late charges, but may terminate this Agreement for non-payment of rent, as explained in paragraph 23 of the Lease. The remaining provisions of Paragraph 5 of the Lease shall remain the same and in full force and effect.
2. Limitation of Late Fee Addendum. Except as modified in this Late Fee Addendum, the terms of the Lease and all attachments to the Lease are and shall remain the same and in full force and effect.
3. Approval of Late Fee Addendum by HUD. Pursuant to Section 6-4 D of the HUD Handbook 4350.3 Rev-1, Change 2, this Addendum was approved by HUD on JAN - 9 2009 for San Francisco Multifamily Hub -- Northern

California. If HUD rescinds its approval, the Late Fee Addendum is null and void and shall not be enforced against Tenant; however, the underlying Lease Agreement will remain in full force and effect.”

The fee for late charges is designed to encourage low-income tenants with limited or marginal resources to pay their proportional share of the rent on time. The owners are expected to be flexible as to the date deemed late where a tenant receives social security benefits and/or public assistance and the check arrives in the mail a few days after the first of the month.

Owners must ensure that the residents' leases reflect the authorized late fee. Please refer to HUD Handbook 4350.3, Chapter 6-5. In addition, owners must comply with the provisions of Paragraph 6-23 F which states: “An owner may not evict a tenant for failure to pay late charges.” However, the owner may deduct accrued, unpaid late charges from the tenant's security deposit at the time of move-out, if such deduction is permitted under State and local laws.

Finally, this discussion of late fees does not apply to Section 202/8, Section 202 PAC, Section 202 PRAC, or Section 811 PRAC residents. Residents of these programs are not required to pay late fees.

If you have any questions concerning the above, please contact your Project Manager.