TRACS Operating Tips

Color coding: Yellow or Aqua indicates new or changed text since 2.0.2.D.

Chapter 4 contains practical information on resolving common errors and dealing with various situations. It includes new requirements for site and CA software vendors.

Note: Handbook references are to HUD 4350.3 Rev-1, Change 4.

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## How to Decide What Transaction to Submit for a Change in Unit

Table 4‑1 Possible Transactions to Change a Unit

| Possible Transactions to Change a Unit Association | Has the Project Number for the affected Household changed? | Has the Contract Number for the affected Household changed? | Has the actual Unit Number for the affected Household changed? | * + - * 1. ***Notes*** |
| --- | --- | --- | --- | --- |
| MAT70  (Unit Transfer transaction) | No | No | Yes | Submit a Unit Transfer for the household to transfer to the new unit. There are no other changes affecting household composition or household income. |
| MAT10  (AR - Annual certification, IR - Interim certification, IC – Initial Certification or MI – Move-In) transaction with Unit Transfer Code field = ‘Y’, and the Previous Unit Number field populated with the appropriate value. | No | No | Yes | A unit transfer of this type must be submitted when a household is transferring to another unit *(no member remains in the original unit)* and the Unit Transfer Effective Date is the same as the Effective Date for the household’s AR, IR, IC or MI. Note that an IR/UT may be effective any day of the month—the effective date is the UT date.  Submit a MAT 10 to update household and financial information and ensure that the Unit Transfer Code = ‘Y’ and the Previous Unit Number field has the appropriate value.  In the case of an AR/UT combination, the AR Effective Date is always the first. For this to be a legal transaction, the unit transfer must also be effective on the 1st of the month.  When the family has a change in composition or income (income increases of $200 or more or a decrease), it may be appropriate to complete an IR/UT. If the change in household composition and/or household income occurred on or before the unit transfer date, an IR must be created with the unit transfer flag set to Yes. If the rent changes (up or down) as a result of the change in household composition or household income, the IR/UT (rent change) will be effective on the same date as the unit transfer. **This means that a mid-month IR/UT is required when there is a change in household income and/or household composition and the transfer date is other than the first of the month**. This policy is based on 4350.3, 7-15.C. “In the case of a unit transfer, both the change in rent and change in the assistance payment are effective on the day the tenant actually occupies the new unit.”  ***See Notes Concerning Full Certification UTs below this table for more details****.* |
| MAT65 and MAT10  (Termination/Suspension transaction followed by an Initial Certification transaction.) | No | No | Yes/No | This scenario, applicable under the RAD program, involves a household being terminated/suspended during a relocation to outside housing while the tenant’s RAD unit is undergoing rehabilitation. The MAT65 uses a suspension code of RD or RH. When the tenant returns to the property, a MAT10 IC is executed. If the tenant is returning to a different unit, the Unit Transfer Code is set to “Y” and the Previous Unit Number field is filled. \*Note – RH is used when the relocation for Rehab occurs before the effective date of the RAD contract. |
| MAT65 and MAT10  (Termination/Suspension transaction followed by an Initial Certification transaction.) | No | Yes | Yes/No | In this scenario, a Rent Supp/RAP/PRAC contract has been converted to a PBRA RAD contract. Submit a MAT 65 transaction to terminate the household’s assistance under the existing Rent Supp/RAP or PRAC contract. Subsequently, submit a MAT10 Initial Certification, including updated TTP and HAP values, to establish tenant in the new RAD contract. The Previous Unit Number field should be filled with the appropriate value if the household is moving in to a different unit and set the Unit Transfer Code to ‘Y’. |
| MAT65 and MAT10  (Termination/Suspension transaction followed by an Initial Certification transaction.) | No | Yes | Yes/No | In this scenario, a contract has expired or merged with another contract or the household is moving to another unit simultaneously with a change in subsidy type or contract. Submit a MAT 65 transaction to terminate the household’s assistance under the existing contract. Subsequently, submit a MAT10 Initial Certification, including updated TTP and HAP values, to establish tenant in new unit and contract. The Previous Unit Number field should be filled with the appropriate value if the household is moving in to a different unit and set the Unit Transfer Code to ‘Y’. |
| MAT40 and MAT10  (Move-Out transaction followed by a Move-In transaction.) | Yes | Yes | Yes | In this scenario, the household is moving out of an existing unit and contract to a new unit in a different project and contract. Submit the Move-out transaction to move tenant out of existing unit/contract. Submit a Move-In transaction with updated values to establish tenant in new project, contract, and unit. Neither the Unit Transfer Code nor the Previous Unit Number fields should be filled. Use MO Code 5 (Unit Transfer between two projects) for this case. Do not use this combination when converting from Rent Supp/RAP/PRAC to PBRA RAD. |

Notes Concerning Full Certification (AR, IR, IC, MI) with UTs:

*Please note that this represents a change to prior instruction and was implemented with the release of TRACS version 2.0.2.D.*

Normally, changes in household composition and /or household income drive interim certifications (IRs) and the effective date of those interim certifications is specified in HUD Handbook 4350.3 Rev 1, Paragraph 7-13. Assuming that the tenant reported in a timely manner, increases in rent begin the first of the month after a 30-day notice is provided. Decreases in rent begin the first of the month following the date of the action that caused the interim. *(See HH 4350.3 Paragraph 7-13 for information about effective dates when residents do not report in a timely manner.)*

The exception would be when an action that would normally drive an interim certification occurs on or before the date of a unit transfer (UT) and before the anticipated effective date of the IR. These changes are reportable on the full certification UT so that the new lease includes current household circumstances. There are several scenarios to consider:

* + - * If the UT happens before the change of household composition or household income, this rule does not apply. Submit a Unit Transfer (UT-MAT 70) followed by an IR per handbook rules for Interim Certifications. For example,

Tom (HOH) and Terry (dependent) live in unit 101.

They transfer to unit 201 on April 10th.

Tom and Terry execute a new initial lease for the new unit with a lease start date of April 10 *(Note: this does not change the anticipated AR effective date)*

Sylvia (new wife) moves in to the unit on April 21st.

Sylvia has income so the family’s rent will increase.

In this case, the UT (MAT 70) is effective on April 10 and,

Assuming a 30-day Rent Increase Notice was sent on April 21, the IR is effective June 1.

* + - * If the change of household composition or household income happens on the UT date, include the new household composition and financial information on the AR, IC or IR (full certification UT). Do not submit a Unit Transfer (UT-MAT 70) followed by an AR, IC or IR. For example:

Ray (HOH) and Rachel (spouse) live in unit 1-A

Rachel’s 12-year-old son, Ryan, is moving in with them

Unit 2-B becomes available

Ray and Rachel move in to unit 2-B on June 14 and Ryan moves in the same day (decreasing rent)

Ray and Rachel execute a new initial lease for the new unit with a lease start date of June 14 *(Note: this does not change the anticipated AR effective date)*

An IR adding Ryan is created with the Unit Transfer Flag is set to yes.

The IR reflecting the decrease in rent and the unit transfer is effective on June 14

* If the change of household composition/household income occurs prior to the Unit Transfer (UT-MAT 70) date, there are three cases:
* The change in household income/household composition is being reported on an AR effective the same day as a unit transfer. Submit the AR with the unit transfer flag set to yes. Any changes to rent are effective the same date as the AR/UT and are reflected on the new lease.
* The change in household income/household composition occurred before the UT date. If traditional IR rules applied, the IR would be effective after the UT date. If the UT occurs after the change but before the “traditional” IR effective date, a mid-month IR is created with the UT flag set to yes. Any changes to rent are effective the same date as the UT. For example:
  + Mary (HOH), Mark (co-HOH) and Marvin (dependent child) live in unit 100-A
  + Mary gets a new job on October 5 and her income increases by $15000 per year
  + Normally, an IR is done increasing the household rent effective December 1
  + However, Mary, Mark and Marvin transfer to unit 315-B on October 30
  + Mary and Mark execute a new initial lease for the new unit with a lease start date of October 30.  *(Note: this does not change the anticipated AR effective date)*
  + An IR is created with the Unit Transfer Flag set to yes
  + The IR/UT is effective October 30 and includes the family’s income increase
* The change in household income/household composition occurred before the UT date. If traditional IR rules applied, the IR would be effective after the UT date and that IR was submitted to TRACS before the UT date. If the UT occurs after the change but before the “traditional” IR effective date, a mid-month IR is created with the UT flag set to yes. Any change to rent is effective the same date at the UT. The original IR is corrected to reflect the new unit number.

For example:

* + Carey (HOH), Carla (co-HOH) live in unit B-21
  + Carey starts receiving SSI on February 21 and his income increases by $5000 per year
  + An IR is done increasing the household rent effective April 1
  + The IR is submitted to TRACS on March 5
* Carey and Carla transfer to unit C-21 on March 15
  + - * + Carey and Carla execute a new initial lease for the new unit with a lease start date of March 15*. (Note: this does not change the anticipated AR effective date)*
        + A new IR is created with the unit transfer flag set to yes
        + The IR/UT is effective March 15 and includes the family’s income increase
        + A correction is made to the IR effective April 1 to correct the unit number
        + The IR/UT effective March 15 should be sent first in a separate TRACS Tenant File transmission
        + The IR effective April 1 should be sent after the March 15 IR has been successfully recorded in TRACS

**HUD Projects with Tax Credits:**

Low-income Housing Tax Credit (LIHTC) rules for unit transfers vary depending on several factors. In some cases, for the LIHTC program, transfers to and from units in different buildings may be handled differently depending on whether the two buildings are part of a multiple building Tax Credit project. In some cases, tax credit rules require a requalification event instead of a UT. This is often implemented as a MO/MI on the Tax Credit side.

HUD does **NOT** want owner/agents to submit a MO/MI to TRACS or CAs in those situations. HUD rules prevail for HUD transactions and a UT must always be implemented as a UT. From a HUD point of view, the household is not requalifying, they are just changing units. Also, the Tax Credit MI may have income that does not have to be reported to HUD because the change is less than the $200 per month threshold.

## How to Correct a Move-Out

There are several scenarios associated with move out corrections. TRACS recognizes Move-Out transactions generated by an owner/agent and Move-Out transactions generated by TRACS (HQ MO).

When an owner/agent submits a move-out and the move-out date is correct, but other values are not correct, the Move-out transaction can be corrected.

Once a Move-out (MAT40) transaction for a household has been processed, the reason for the move-out (‘Move-out Code’) can be corrected by submitting a subsequent Move-out (MAT40) transaction with a new move out reason and setting the Correction Type field to a value of R.

If the Move-Out date is not correct, the process is a bit more complicated. Resubmit (as a correction) the most recent full certification effective prior to the move out date. In addition, resubmit any partial certifications effective after that full certification but before the correct move out date. Then submit a new Move-out (MAT40) transaction with the correct move out date.

For example:

* Walker family completes AR in April (4/1)
* A Gross Rent (GR-MAT 70) is created and transmitted to TRACS on 6/1
* Owner/agent moves out the Walker family on 8/25
* Move-out is successfully processed in TRACS
* The Move-out effective date should have been 8/15
* Owner/agent must submit the Walker 4/1 AR as a correction (the owner/agent or CA should check TRACS to make sure the AR was recorded successfully before continuing) *\*in this example – no data on the AR has changed and this will be an administrative resubmission.*
* Owner/agent must submit the Walker 6/1 Gross Rent (GR-MAT 70) (the owner/agent or CA should check TRACS to make sure the GR was recorded successfully before continuing) \**in this example – no data on the GR has changed*
* The Walker family will once again show as active
* Owner/agent should submit the Move-out using 8/15 as the Move-out effective date
* The owner/agent or CA should check TRACS to make sure the MO was recorded successfully

## Dual Subsidy What to Do After Receiving an HQ Move-out Message

You may run in to situations where a new resident moves in to a community before moving out of their existing subsidized unit. This is what we refer to as receiving dual subsidy.

For example:

* Dixie lives in Magnolia Grove (Property A) in Georgia
* She decides to move to The Oaks (Property B) in Rhode Island
* She applies to The Oaks moves in on August 15
* The property manager sends the Move-in (MAT 10) transaction on August 16
* Because the CA for Georgia and Rhode Island are different, the CA does not catch the “dual subsidy”
* The Move-in (MAT 10) transaction is received by TRACS
* TRACS finds Dixie living in Magnolia Grove (Property A) in Georgia
* TRACS generates an HQ Move-out transaction effective August 14 and sends a message to Magnolia Grove (Property A)
  + The TRACS System creates an HQ Move-out transaction when the following occurs:
    - A resident lives in subsidized property A
    - The resident is considered “active” in property A
      * A Move-in certification is received in TRACS
        + For the same resident
        + In property B
      * TRACS automatically moves the resident out of property A (HQ Move-out)
        + Effective the day before the Move-in for property B
        + Also sends HQ 123 message to property A

The **HQ123** message is sent by TRACS to Property A and indicates an existing tenant has moved in to another subsidized property. The OA should investigate immediately.

* If a Move-out transaction has already been transmitted by Property A,
  + Check TRACS to see if it was recorded correctly
  + Check TRACS to see if the Move-out was masked by a subsequent submission for this household (commonly a retroactive Gross Rent (GR-MAT 70) effective before the Move-out (MAT 40) effective date but submitted after the MO was processed in TRACS)
* If the tenant is still in residence, determine the facts.
* If the tenant has not given notice, determine whether this is a “skip” or whether the tenant is planning to move but has not given notice. (There have been cases where a tenant on a waiting list in another property has been moved in by mistake, so do not assume that an actual Move-in has occurred).

*Note: Even though TRACS has already generated an HQ Move-out transaction, the owner/agent is required to submit a site generated Move-out to ensure that TRACS records and owner/agent records are the same. The site generated Move-out transaction must be effective on the date the resident moved out of the unit or on the date the owner/agent took possession of the unit (in the case of a skip). (See rules about Move-out Effective Dates below.)*

* The property manager at Magnolia Grove (Property A) receives the HQ 123 error message
* The property manager sends a notice to the resident (Dixie)
* The property manager confirms the actual Move-out Date based on HUD guidance
* The property manager submits a Move-out (MAT 40) transaction effective August 25 because that is the date the unit is vacated and the owner/agent takes possession
* TRACS receives the Move-out (MAT 40) transaction
* TRACS notes that there is already an HQ MO transaction effective August 14
* TRACS overwrites the Effective Date with the August 25 Move-out (MAT 40) Effective Date indicated on the new MO
* TRACS sends an MA003 message to The Oaks noting that there is a case of dual subsidy from August 15 through August 25

When an owner/agent receives the **MA003** message this means that you may have an issue with a new tenant. TRACS records show that the new Move-in effective date is before the Move-out effective date on the other property. If this information is correct, the new property manager should:

1. Verify with the other property, that the move-out date is correct and in agreement with the examples in the table below. You should charge the tenant market rent starting with the original move-in date and through the move-out date indicated in the MA003 message.
2. Next, terminate the tenant effective on the move-in date using the DS Termination Code to indicate that no subsidy is earned for the termination day.
3. Finally, perform an initial certification effective the day after the effective date of the move-out from the former property to establish the start of subsidy in the new property
4. An adjustment should be included on the next voucher, refunding subsidy from the original move-in effective date through the day prior to the new move-in date.

***Note:*** *Since Terminations do not apply to PRACs, the accepted workaround, in lieu of the instructions above, is to create an OARQ Miscellaneous Accounting Request to return any assistance paid in error. The tenant is required to return this assistance to HUD.*

***NOTE:*** *To avoid these situations, owner/agents are required to use the EIV Existing Tenant Search allowing you to see if an applicant is living in another subsidized property. A positive response allows owner/agents to coordinate the Move-out (MAT 40) and Move-in (MAT 10) effective dates appropriately.*

* *Confirm that the applicant is already receiving HUD assistance*
* *Advise the applicant that he/she can only receive subsidy in one residence at a time*
* *Advise the applicant of the penalty to attempt to receive assistance in both units*
* *Confirm the move-out before moving the new resident in to the unit/starting subsidy in the new unit*

If the OA is aware that a tenant is moving in shortly before the effective date of the Move-out (MAT 40) from the old property, the MI is at market rent and there is no MI transmission to TRACS because TRACS does not accept zero subsidy certs unless the property is a PRAC or S8 RAD C1 property. In this situation, neither TRACS nor a CA will see a MI. The day after the Move-out (MAT 40) effective date from the previous property, an IC should be processed initiating subsidy for the household. Under these circumstances, the IC must be accepted even though there is no MI.

**Effective Date Rules for Move-outs**

It is important to understand the rules regarding the Move-out Effective Date: In all cases, the Move-out record should record the actual move-out date which is the date the owner/agent gains possession of a unit. In the case of a skip or an abandoned unit the MO date is the date the OA legally gains possession of the unit. In the case of a skip, the owner/agent may not delay executing the steps required to take possession of a unit.

**Move-Out (MO) Effective Date:** For move-outs with notice—even if the notice very short--the last full day a tenant remains in occupancy. When a tenant moves midday or earlier, the move-out date is the day prior. For move-outs without notice, enter the date management takes possession of the unit. For the death of the sole family member, enter the date provided by MAT Guide Chapter 7, Paragraph 7-12, which is the day the owner/agent takes possession of the unit.

***Note****: The difference between a skip and a 0-day notice situation is that the actual move-out date is known in the 0-day notice case—namely when the tenant relinquishes possession of the unit (usually when keys are returned or a move-out inspection is conducted). With a skip, discovering the fact of the move-out is not necessarily the date on which the owner gets legal possession of the unit. See MAT Guide, Chapter 5, MAT40, field 10—Transaction Effective Date. In some jurisdictions, owners have to get a court order to take possession of the unit.*

***Note****: Some owners have a policy of submitting a Move-out effective the last day of the month even if the resident moved out before the end of the month (assuming the OA has legal possession of the unit). Others will submit a Move-out effective at the end of the 30-Day Move-out Notice period even if the tenant moves out before the move-out date indicated in the 30-Day Move-out Notice. Neither of these practices is appropriate. The Move-out effective date is always the actual move-out date (or the date that the owner takes possession of the unit in the case of a skip). For example, a resident provides a 30-Day Move-out Notice on June 1 letting the OA know that the family will move on June 30. The family completes the move out on June 15 (owner/agent has legal possession of the unit on June 15). The effective date of the Move-out transaction must be June 15. If a resident provides a 30-day notice to vacate, but leaves before the 30 days are over, then the resident did not provide proper notice. Owner/agents should refer to local tenant/landlord law and their own House Rules to determine if the resident may be charged market/operating rent for the remainder of the notice period. No subsidy will be provided by HUD for the time period starting when the resident moved out (in this example June 15) through the notice end date (in this example June 30).*

**Table 4‑2 Move-Out/Move-In Scenarios**

|  | **Old Property** | | |  | **New Property** | |
| --- | --- | --- | --- | --- | --- | --- |
| **Notice** | **Actual MO Date** | **Reported MO Date** | **Last day of subsidy** |  | **Actual MI Date** | **First day of subsidy** |
| 30 Days | 12/31 | 12/31 | 12/31 | 12/31\*\* | 1/1 |
| 30 Days | 12/31 | 12/31 | 12/31 | 1/1 | 1/1 |
| 30 Days | 12/31 | 1/1 or later\* | 12/31 | 1/1 | 1/1 |
| 30 Days | 12/31 | 12/31 | 12/31 | 12/25\*\* | 1/1 |
| Skip/Abandonment-No notice | 12/31 = Date Management Takes Possession of Unit | 12/31 | 12/31 | 12/25\*\* | 1/1 |
| 0-29 Days | 12/31 | 12/31 | 12/31 | 12/31\*\* | 1/1 |
| 0-29 Days | 12/31 | 12/31 | 12/31 | 1/1 | 1/1 |
| 0-29 Days | 12/31 | 1/1 or later\* | 12/31 | 1/1 | 1/1 |
| 0-29 Days | 12/31 | 12/31 | 12/31 | 12/25\*\* | 1/1 |

\*This date is incorrect. In all cases the reported MO date should be the same as the actual.

\*\*This date, while actual, is not acceptable as a start of subsidy date. Subsidy may not start in a new unit and property until the day after the end of subsidy in the old unit and property.

If HUD staff or a CA is asked to adjudicate a dispute between two properties in a double subsidy situation, their sole task is to determine the Move-out Effective Date according to the HUD rules. That date determines the end of subsidy in the old unit and the start of subsidy in the new unit. The previous property is entitled to subsidy through the move-out date. The new property is entitled to subsidy starting the day after the move-out date. Some methods to determine the MO date include review of the “key receipt,” review of the MO inspection, etc. If the resident fails to “complete” the MO (e.g. fails to turn in keys), the MO effective date is the date the OA may legally take possession of the unit.

## How to Re-establish a Tenant Certification Following a Move-out (MO sent in error)

When there is a need to re-establish a Tenant in TRACS, after a Move-out transaction has been successfully processed, there are two methods available:

* + - 1. **Submit a MAT10, Move-In transaction with an effective date the day after the effective date of the Move-out transaction; or**
      2. **Submit** a MAT10, Initial Certification transaction **with an effective date the day after the effective date of the Move-out transaction**

There are cases where a household is moved out in error. This usually happens when:

* + - 1. A property manager submits a Move-out MAT 40 record before confirming that the resident moved out
      2. A Move-out MAT 40 record is sent for the incorrect household

The Move-Out (MAT 40) transaction needs to be reversed. To do this, resubmit (as a correction) the most recent full certification (MAT 10 – AR, IR, IC or MI) effective prior to the Move-Out (MAT 40) Effective Date. Then, resubmit any partial certifications effective after that full certification. Should there be any certifications effective on or after the MO date, resubmit them as well. For example:

* Rodriguez family completes annual certifications in February (2/1)
* A Gross Rent (GR-MAT 70) effective 5/1 is created and transmitted to TRACS
* Owner/agent moves out the Rodriquez family on 6/15
* Move-out is successfully processed in TRACS
* Owner/agent should have moved out the ***Rodgers*** family not the ***Rodriquez*** family
* Owner/agent must submit the Rodriquez 2/1 AR as a correction *(the owner/agent or CA should check TRACS to make sure the AR was recorded successfully before continuing)*
* Owner/agent must submit the Rodriguez 5/1 Gross Rent (GR-MAT 70) *(the owner/agent or CA should check TRACS to make sure the GR was recorded successfully)*
* The ***Rodriguez*** family will once again show as active
* Owner/agent should submit the move-out transaction for the ***Rogers*** family
* The owner/agent or CA should check TRACS to make sure the MO for the Rogers family was recorded successfully

## What to Do After an HQ Termination Due to Failure to Receive an AR

Except in specific situations where Extenuating Circumstances apply, residents are required to complete an annual review of income (Annual Certification) at least once every year. The resident must meet with the owner/agent before the Anticipated Effective Date of the AR or face termination*. (See HH 4350.3 R1, C4, and Chapter 7 for additional information regarding annual certification).*

**If the resident reports after the deadline** (10th day of the 11th month), but before the anticipated AR date, the owner/agent may require additional time to obtain proper verification and to complete the Annual Recertification (MAT 10).

If the tenant has reported for recertification and provided adequate documentation (as required by the lease) prior to the recertification date, but the owner/agent did not or could not complete the steps in Handbook Figure 7-3 by the AR Effective Date, when appropriate tasks are complete, submit an Annual Recertification and do not change the Annual Recertification (MAT 10) Effective Date. This is true regardless of whether or not the owner/agent is responsible for the late certification.

*Note: Except for S8 RAD C1 and PRAC, if, after review, the subsidy amount is zero, then the OA will submit a Termination (MAT 65) instead of an AR. The Termination Effective Date is the day before the anticipated effective date of the AR. This is the last day of assistance.*

HUD and CAs will continue to pay the monthly subsidy (based on the most recent subsidy calculation) for three (3) months. If the owner/agent fails to submit an Annual Recertification (MAT 10), Move-out (effective before the anticipated AR Effective Date) or Termination (effective before the anticipated AR Effective Date) within three (3) months, HUD will automatically terminate subsidy for that household. This is called an HQ Termination. An Information Message HQ 180 will be generated and sent to the property using iMAX. Owner/agents may review information about late ARs using the Late AR Query available in TRACS.

***Note:*** *An HQ Termination will be effective the day before the recertification anniversary date. This applies to owner-initiated terminations as well. If an Annual Recertification was prepared on or before the effective date of the AR and any adult household member failed to appear to sign the certification, the household must be terminated unless Extenuating Circumstances exist. Please see the Handbook Q&A provided on HUD’s RHIIP Web Site:107. Question: Chapter 7, Paragraph 7-6 B states that "owners and tenants must complete the applicable steps listed in Chapter 7, Figure 7-3 for an annual recertification to be timely." Would a tenant cause a recertification to be late if he/she failed to provide required signatures on the HUD-50059 (step 8) by the recertification anniversary date? Answer: Yes. A tenant would have caused a certification to be late if he/she failed to provide required signatures on the HUD-50059 by the recertification anniversary date*

**If the tenant reports on or after the recertification date**:

* If there are Extenuating Circumstances, including consideration of a reasonable accommodation, an AR should be submitted and the appropriate Extenuating Circumstance Code is used. See the MAT Guide, Chapter 5 for additional information about Extenuating Circumstances.
* If there are no Extenuating Circumstances, the owner/agent should submit a Termination transaction effective the day before the recertification anniversary date. Any Initial Certification reinstating subsidy should be effective on the first of the month following the date on which the tenant reports.
* If a court orders restoration of subsidy back to the recertification date, submit an Annual Recertification.

If the Annual Recertification (MAT 10) was submitted but not properly recorded in TRACS, the owner/agent must correct any errors and resubmit the Annual Recertification (MAT 10) after the corrected certification is signed as required by HUD. If there are no errors, the Annual Recertification (MAT 10) must be submitted as a correction using the Administrative Resubmission reason.

See also 4.41.6 below for a detailed discussion of the 15-month rule.

## How to Split a Household or Move a Household Member to Another Household

There are cases where what was formerly a single household becomes two households (Household Splits) or where two existing subsidized households exchange one or more members (Household Swaps).

A Split can be more formally defined as the creation of a new subsidized household by one or more members of an existing subsidized household, leaving at least one member of the existing household in place.

A Swap can be more formally defined as a situation, starting with two existing subsidized households, where one or more members of a household move to the other household leaving at least one member behind. In some cases, the move is in one direction only—only one household loses members and the other gains. In other cases, the move could be in both directions—each household adds and subtracts members.

Examples of situations covered are similar to the following:

* **Head and Spouse in a subsidized unit decide to separate and one or the other moves into a new subsidized unit in the same or different property establishing a new household (Split). *(Note: the new household must qualify)***
* **A family member in a subsidized unit moves in with an assisted family living in another subsidized unit in the same or different property. This could be the adult child of the head, an unrelated member, the parent of the head or some other relationship to the head (Swap).**
* **A dependent child in a subsidized unit, qualifying for the $480 deduction, moves in with an assisted family living in another subsidized unit (Swap).**

To properly record a Household Split, the OA should submit a Move-in Certification effective on the occupancy date for the household member or members establishing a new household (subsidy starts on the MI date) and by submitting an Interim Certification for the remaining household member(s) in the original unit. The Interim Certification Effective Date is determined by following the rules for interims as given in Handbook paragraphs 7-13.C and 7-13.D and ***will always be on the first of the month*** when rent changes.

For example:

* Existing Section 8 elderly household consists of Sarah Smith (HOH) and Alma Adams
* Last Annual Certification was effective 3/1
* Alma moves in to her own unit 8/10
* An IR is created for Sarah, removing Alma and Alma’s income/expenses, and reducing rent effective 9/1
* The MI for Alma, effective 8/10, must be accepted.

To properly record a Household Swap, the OA should submit two Interim Certifications adding or removing household members as appropriate. The Effective Dates of the two IRs are determined by the rules in Handbook paragraphs 7-13.C and 7-13.D and may differ from one another depending on whether the rent increases or decreases and whether the tenants followed the rules for reporting the changes. For example:

* Existing Section 8 family household consists of Kayla Smith (HOH), Karla Smith (minor) and Dwight Adams (adult full-time student)
* Last annual certification was effective 4/1
* Dwight is going to move in with his dad Harvey in another Section 8 unit. This “swap” occurs on 7/12
* An IR is created for Kayla, removing Dwight and Dwight’s deductions. A rent increase notice is sent on 7/12 and the Interim Recertification (MAT 10) including the rent increase is effective 9/1
* An IR is created for Harvey, adding Dwight and Dwight’s deductions, and decreasing rent. Since Dwight moved in to the unit on 7/12/2014, the Interim Recertification (MAT 10) including the rent decrease is effective on 8/1

It is important to realize that a household member can appear to be occupying two units simultaneously under the above scenarios. This is not a problem and is explicitly approved by HUD Policy.

Mid-month interim certifications involving a change in rent completed pursuant to the earlier guidance concerning household Splits and Swaps are not subject to a finding during a Management and Occupancy Review.

## Market Rate Tenants

**For all programs except PRAC and S8 RAD C1:** A market rate tenant is defined as an unsubsidized/unassisted tenant—one who is paying the contract/market rent for the subsidy type.

**For PRAC:** Since there is no Termination, all residents are considered “assisted” even if the Tenant Rent equals or exceeds the unit Operating Rent.

**For S8 RAD C1**: If a tenant’s TTP is greater than or equal to Gross Rent, the resident pays the lesser of:

* S8 calculated rent; or
* The Maximum Allowable Rent under LIHTC

In either of these cases, the resident is considered “assisted” and the unit is part of the unit count under “Units Receiving Subsidy under this contract” on the 52670 even if the Assistance Payment (AP) is zero or negative.

If a S8 RAD C1 tenant is terminated for cause (e.g. failure to report for AR), then the resident is treated as a market-rate tenant and the unit is part of the unit count under “Market Units under this contract” on the 52670.

### 4.7.1 Submitting Data for Market Rate Tenants

Terminations do not apply to the PRAC program except when Terminating a household to move from PRAC to RAD C2.

Terminations apply to S8 RAD C1 only when a resident is not compliant. Do not submit a Termination for a S8 RAD C1 resident if the calculated AP is zero or negative. In this case, the 50059 is submitted.

Housing does not have the authority to require the submission of certification data for market rate tenants. Market rate tenants are defined as unsubsidized tenants. Such households are not required to recertify unless they want to begin receiving or return to receiving subsidy. Section 202 PRAC and 811 PRAC tenants, because of the unique rules of the program, are never considered market rate tenants even when they are paying more than the operating rent (subsidy is zero or negative). Therefore, certifications are required for all PRAC tenants whether subsidy is positive, negative or zero. Certifications are also required for S8 RAD C1 tenants whether subsidy is positive, negative or zero, but S8 RAD C1 tenants can be terminated unlike PRAC tenants.

With the exception of MAT15 address records, TRACS is not programmed to accept certification records for market rate tenants. TRACS will issue a FATAL error for certifications with zero or negative AP except for S8 RAD C1 and PRAC contracts.

A tenant who changes from subsidized to market rate status MUST be terminated and the Termination record (MAT 65) must be sent to TRACS or the CA. The fact of the termination will be recorded on the voucher (if applicable for the subsidy type) for one month per the requirements for vouchering. After that month, the household will not be listed on the regular tenant assistance portion of the voucher.

A tenant who changes from “market” to subsidized status generally MUST qualify for subsidy and an Initial Certification MUST be transmitted. HUD policy has indicated that *“If the project is 100% subsidized, in the case where an in-place tenant’s assistance was terminated due to an increase in income and whose income decreases to where they are again eligible for assistance, the tenant should be recertified and receive the assistance.  The tenant’s income eligibility was determined at move-in and does not have to be determined again.”*

***Note:*** *In 2013, HUD determined that a resident who failed to fully and accurately report income at move-in may be subject to the requirement to meet the property income eligibility requirement. If the owner/agent determines, after move-in, that a resident failed to fully and accurately disclose income AND that the household was not income eligible at move-in, the owner/agent must terminate subsidy using the NS termination code (introduced with the release of TRACS 2.0.2.D). If the resident wishes to reestablish subsidy, the resident must meet all of the eligibility requirements, including income eligibility, in order to qualify for housing assistance and for an initial certification to be accepted by TRACS.*

*For example:*

* *Income Limit $24000.00*
* *Resident claimed income is $21,000 at MI*
* *After 90 Day EIV Review, owner/agent discovers resident’s “real” income was $32000.00*
* *Resident is terminated using the NS termination code*
* *Later resident loses job and requests subsidy*
* *Resident* ***will not be qualified*** *to receive subsidy until household income is $24000.00 or less (or current income limit at the time of request)*

“If the project is not 100% subsidized with a deeper subsidy, e.g., Section 236 project, and the in-place tenant is moving from the Section 236 program to a deeper subsidy program, (e.g., Section 8), the in-place tenant’s income must meet the income limit established for the assistance contract.  However, for projects that have a Section 8 contract covering part of the units, there is an exception to the very-low income limit that does not require HUD approval for tenant’s paying more than 30% of income toward rent, and whose income is at or below the low-income limit (see paragraph 3-7 of Handbook 4350.3 REV-1, *Occupancy Requirements of Subsidized Multifamily Housing Programs)”.*

As an example of the market data rule:

* During the Annual Recertification process a Section 8 household’s income is found to have increased such that subsidy would be $0.
* No Annual Recertification (MAT 10) certification is submitted showing $0 subsidy. Instead a termination (TM) is sent to TRACS effective the day before the recertification date.
* Eight months later, the household reports a decrease in income such that they could re-qualify for subsidy.
* Assuming that a subsidized slot is available, the owner/agent would qualify the tenant and submit an Initial Certification (IC) and resume vouchering for the tenant.

The new annual certification date is based on the effective date of the initial certification – not the move-in date. If the property reviews all ARs on the same date, the new Next AR date would coincide with the property’s AR date.

Site software vendors are free to code (identify) market tenants as they wish. A market rate tenant is not considered part of the subsidy program except for unit count purposes on the HAP Voucher. See **Treatment of Market Tenants on the HAP Voucher** below. Therefore, a terminated Section 8 tenant is no longer Section 8. The owner/agent is free to continue to use the HUD Model Lease or use a lease for the tenant that is different than the model lease.

Notwithstanding the discussion above, there are two circumstances where limited information about a market rate tenant must be submitted to TRACS or a CA. 1) If a market rate tenant was previously subsidized and was terminated for failing to follow the program rules (refusing to recertify, for example) the owner/agent is allowed to submit special claims for a vacancy involving that tenant. The **Special Claims Guide** requires that the Move-out (MAT 40) transaction be visible in TRACS before a vacancy claim can be paid. 2) A second and related situation is that of a terminated tenant who transfers to a new unit. The old unit may qualify for a vacancy claim if the tenant was terminated for failing to follow the program rules.

Given that TRACS cannot accept MO or UT records for market rate tenants and to avoid having TRACS reactivate a tenant on receipt of a UT, the site software MUST include the capability to create a MO record under the previously applicable subsidy type. In the example above, the site software would have to be able to create a Section 8 MO and transmit it to TRACS or the CA.

The Move-out (MAT 40) transaction should be effective on the actual move out date if the tenant is moving out. A Move-out (MAT 40) transaction should be effective on the UT date in the event of a unit transfer. In both cases, the Head-Of-Household should be reported as of the original termination date. For example, if the tenant is terminated from Section 8 on 12/31 and then moves to another unit on 1/17, site software should send a Move-out (MAT 40) transaction to TRACS or the CA effective on 1/17 listing as Head-Of-Household the person who was Head-Of-Household on 12/31. The Move-out (MAT 40) transaction will be a Section 8 Move-out (MAT 40) transaction and transmitted under a Section 8 TENHR.

Processing of any Move-out certifications is dependent on the Next Annual Certification Date on the last full certification for the household. However, in some cases, a MO transaction must appear in TRACS for Special Claims purposes. Currently, TRACS restricts the period of the move-out to a 15-month window, from the cert effective date through to the next recert date PLUS 3 months.

For example, the tenant in unit # 1 where the effective date is 8/1/2018 has a Next Recert Date of 8/1/2019; If a move-out is submitted with a move-out date of 12/1/2019, the move-out would not get processed because the Next Recert Date (8/1/2019) plus 3 months (11/1/2019) is not greater than or equal to the move-out date (12/1/2019).

As discussed below, under CA requirements, CAs and CA software MUST consider terminated tenants as the equivalent of moved out for occupancy purposes. Therefore, if a CA receives a Move-in for a unit occupied by a terminated tenant, the CA and the CA software must not reject the transaction. It would be acceptable for CA software to issue an informational message saying what appears to be happening and that the previously terminated tenant is no longer being considered as residing in the unit.

### 4.7.2 Treatment of Market Tenants on the HAP Voucher (Revise after voucher detail proposal is finalized)

The HAP Voucher cover page contains various unit counts including counts of market and vacant units. To get these numbers correct, it is important to distinguish between the subsidy type associated with the unit for HAP purposes and the subsidy type associated with the household living in the unit.

For example *(Please note: this example does not apply to the* S8 RAD C1 *program):*

* Assume that we have a Section 236 project with 100% of the units covered by Section 8.
* The tenant in unit 101 has been terminated from Section 8 because income has risen to the point that subsidy would be 0
* In such a case, the rules require that the tenant is terminated from the Section 8 program
* An Initial Certification (IC) is created moving the household to the 236 program and the Section 236 rent (**Note**: an IC is not submitted if the resident is participating in the PIH voucher program)
* On the Section 8 HAP, the count of subsidized units will drop by 1 and the count of market units will increase by 1
* The unit is both 236 and Section 8
* The tenant subsidy type is 236

The Section 8 HAP includes the unit as a Section 8 market unit.

Because the S8 RAD C1 program does not terminate when a tenant’s assistance drops to zero, the example above does not apply to those contracts. However, if the tenant above had been terminated for failure to recertify (or for some other failure to comply with program requirements), then the example above would apply and the tenant’s unit would be included in count of market units on the HAP.

This calculation is more complex if there is more than one contract or deep subsidy in a 236 or BMIR. Depending on the regulatory agreement, the deep subsidy can be either fixed to specific units or can be floating. The fixed unit case is more straightforward because the same set of units are always considered when generating the unit counts for the voucher. In the floating unit case, the OA must be careful in assigning a subsidy slot so as not to violate the regulatory agreement unit type counts—the numbers of each unit size that are permitted under the contract.

### 4.7.3 Market Tenants in Tax Credit Communities

HUD policy has ruled that a market household is not limited to paying contract/market rent when a tax credit funding program also applies to the unit. The OA is free to charge the tax credit rent if it is higher than contract/market rent.

## Terminations and Initial Certifications

There has been some confusion in the industry concerning how to handle moves from one subsidy to another or from subsidized to market status and back. Some refer to market as Subsidy Type 0 (as is done in the submission of MAT15 records in some cases) and some define it simply as paying the contract or market rent for the subsidy type. The rule for Termination and Initial Certifications is that they always occur in pairs. Terminations from market rent and ICs to market rent can be treated as either virtual or real transactions. How and if these are implemented will be software dependent. However, when they are implemented, market certifications are never sent to TRACS or a CA. See Market Rate Tenants-4.7-above.

***NOTE****: This discussion does not apply to 202 PRAC and 811 PRAC. Under these subsidy types, a tenant may pay more than operating/contract rent and terminations related to increases in income do not apply. Special consideration applies to the* S8 RAD C1 *program. Like a PRAC, the tenant may pay more than contract rent without a termination.*

***NOTE****: A RAD (C1 and C2) tenant may be terminated for failure to comply with program requirements or may be subject to a suspension. If terminated, the tenant counts toward the # of market units on the voucher when still living in the unit. If the tenant is suspended (the unit is undergoing rehab) the unit is included in the new # of Contracted Units Undergoing Rehab field—Item 6.f.*

The general rule for terminations is: whenever a tenant stops receiving subsidy or is considered unassisted under the rules, a Termination should be generated effective on the last day of subsidy. Next an Initial Certification should be created taking the tenant to market rent. This will be true even for Section 236 and BMIR tenants. If a Section 236 tenant is due to pay market rent, Terminate from 236 and IC to market. As mentioned above, the IC may be a virtual or real transaction in a specific software.

If a tenant receiving a deep subsidy starts to pay a Section 236 rent that is less than market rent or starts paying the BMIR rent, the Termination is from the deep subsidy and the Initial Certification is to 236 or BMIR. *(****Note****: an IC is not submitted if the resident is part of the 236 program and participating in the PIH voucher program.)*

Similarly, whenever a tenant moves from market to subsidy, a Termination from market is done, followed by an Initial Certification to the new subsidy type.

Essentially, whenever a tenant moves from one subsidy type to another or from one contract to another, a TM/IC pair of records should be created. If any of the TM or IC records are associated with a subsidy (anything but market) they must be submitted to TRACS.

While normally a Termination is effective on the last day of a month for failure to recertify or in response to an AR or IR that results in $0 subsidy, there are situations where a Termination, effective on other days of the month, is appropriate. For example, when contract rents are dropping in some areas, a Gross Rent (GR-MAT 70) can result in a TTP that exceeds the new Gross Rent. In that case, the household is terminated the day prior to the Gross Rent (GR-MAT 70) Effective Date.

A related example involves a UT. A household transfers mid-month to a smaller unit resulting in assistance calculating to $0 due to a significantly lower contract rent. The TM is effective the day prior to the UT and the Unit Transfer (UT-MAT 70) certification is not transmitted to TRACS or the CA. The logic here is similar to that in effect when you are completing an AR and find that assistance is $0. You Terminate the day prior to the AR and never transmit the AR.

In both of the above examples, an IC would be needed to restore subsidy to the household in the future. In the case of the UT example above, the IC would include a Y in the Unit Transfer field and a new Unit Number.

A Termination may be effective any day of the month when a resident moves-in to a unit before subsidy stops at a prior residence (dual subsidy). The owner/agent must complete a Termination using the DS Termination Code. In this case, the DS Termination is effective on the same day as the Move-in. Since Move-in transactions can occur on any day of the month, the DS Termination can be effective on any day of the month.

***Note:*** *The same logic applies for the NS termination code used when it is determined that the tenant was not eligible at MI or IC.*

***Note:*** *A similar termination code is used terminate assistance for certain RAD Conversion ICs. The new RH termination code is used when the tenant was relocated for rehab prior to the contract effective date and has the same date as the Conversion IC. Like, the NS and DS termination codes, assistance is removed for the TM effective date.*

## Repayments and FSS Escrows

### 4.9.1 General Information

With the release of TRACS 2.0.3.A, the MAT30, Section 7 Record is being used to track activity for Family Self Sufficiency (FSS) Escrow Accounts (tied to a CoP-Contract of Participation) in addition to supporting repayment agreement transactions. In the future, additional escrow/agreement types may be reported in the Section 7 record.

Several new fields have been added to the record in an effort to enforce correct reporting of amounts and balances. The new fields include: Record Type, Status, Agreement End Date, Beginning Agreement Amount and Beginning Balance. The old Agreement Type field has been renamed to Transaction Type and the Agreement Amount field has been renamed to Ending Agreement Amount. See MAT Guide, Chapter 6 for the definitions and use of the new fields. In addition, a Head of Household ID Code has been added at the end of the record to allow for reporting of Repayment Agreements to EIV. The field will not be printed on the voucher form but is included in the MAT record.

Section 7 records are to be grouped by type with Repayment Agreements first followed by FSS Escrow records. On the printed voucher leave a blank line between types if both are present on the voucher. Multiple Repayment Agreement transactions for the same ID and voucher month must be submitted as individual records. The records must be grouped by ID and must be in the correct sequential/date order so that the Beginning Agreement Amount and Beginning Balance fields for one record correspond to the Ending Agreement Amount and Ending Balance from the record immediately preceding it.

The Beginning Agreement Amount and Beginning Balance for first record for an ID in a voucher month must correspond to the Ending Agreement Amount and Ending Balance for the last submitted record for that ID in a prior voucher month. Depending on the value of the Status field, the last submitted record could come from the previous voucher month or an earlier voucher.

**Agreement IDs:**

The Agreement ID must be unique within the property. This means that a Repayment Agreement record may not have the same ID as an FSS Escrow record. Specifically, an Agreement ID that is unique within the project/property must be assigned and transmitted unchanged for all subsequent transactions for that agreement/escrow even if the terms of the agreement are renegotiated.

**Transition Rules:**

**2.0.2.D:** Until 2.0.3.A, continue to submit Repayment Agreement transactions under the current rules for 2.0.2.D Section 7 records. FSS transactions continue to be recorded as OARQ Miscellaneous Accounting Request records. The FSS Notice indicates that “all FSS OARQ adjustments must indicate the Voucher Month/Year for the escrow credit, Unit Number, HOH Last Name, and the words “FSS Participant” in the comments section.”

**Repayment Agreement/FSS Escrow Baseline—Required on the first 203A voucher:**

On the first 203A voucher that is submitted for a contract or project, baseline records are to be submitted as described below. To distinguish a baseline record from a regular Repayment or Escrow record the Record Type value appends a B to the R or F that is normally used. So, a baseline Repayment record would be coded as RB and a baseline Escrow record would be coded FB, If, on that first voucher, another transaction is recorded for an Agreement ID, that transaction or transactions would immediately follow the baseline record and drop the B designation—the Record Type would be coded as R or F.

Note that baseline records report only zero values for the following fields: Agreement Change Amount, Total Payment and Amount Retained. This means that the Amount Requested will be $0. If there is no Payment or Agreement Change Amount activity in the month for which the baseline record is reported, there is no need to include an additional non-baseline transaction to report zero values unless the status calls for monthly transmissions.

Note that a baseline record for a repayment or escrow that is transmitted at some point after the initial full baseline (a re-baseline record), may violate one or both of the record consistency checks. In other words, the Beginning Agreement Amount and the Beginning Balance fields do not have to match the Ending Agreement Amount and Ending Balance fields from the last, submitted record. A re-baseline record may be needed to correct either or both of an agreement amount or balance but only if the only issue is an error in reporting those values and all prior change amounts and payments were recorded correctly.

If there were errors in establishing an agreement (the original reversing entry was for an incorrect value) then do not re-baseline but rather submit a record with an agreement change amount to correct the problem. If submitting vouchers through a CA, work with the CA to determine whether or not a re-baseline record or a regular transaction is needed. Deciding whether a re-baseline record is warranted is not a simple matter and will depend on the facts of the full transaction history for the Agreement ID. The most common situation where a re-baseline transaction is called for is one where a CA has been paying the correct amounts for an ID starting with the initial transaction but where the OA is reporting incorrect amounts and balances. The CA could request a re-baseline to get the Agreement Amount and Balance corrected without voucher consequences. On the other hand, if the OA has been requesting and being paid amounts that are not correct, the Agreement Amount and Balance are to be fixed using the Agreement Change Amount and Total Payment fields as these do impact the voucher.

**2.0.3.A: Repayment Agreements--**With the initial implementation of TRACS version 2.0.3.A, OAs must transmit to HUD the current status of ALL repayment agreements that have been or should have been recorded in TRACS when there is still a balance due and tenants are currently in residence. This includes those Repayment Agreements with a Repayment Agreement Type of N (None). A record must also be transmitted for all agreements for tenants who have moved-out and the former tenants are making payments—however the First and Last names of the HOH may not be used. Instead fill the Head Last Name field with “Tenant” and the Head First Name field with “Previous.” On that initial voucher transmission, for the first record for an Agreement ID, the Beginning Agreement Amount field is filled with the value from the former Agreement Amount field (now renamed as Ending Agreement Amount) from the last submitted transaction under TRACS 2.0.2.D. The Beginning Balance field is filled with the Ending Balance value from the prior transaction.

If an existing Repayment Agreement has a balance greater than zero, and if the Repayment Agreement was never reported (as an OARQ prior to 202D or as an Agreement in 202D), the Agreement must be submitted as a new Agreement (no baseline).  If there is a paper agreement, the Agreement Date should match the date on the paper agreement.  If there is no paper agreement, enter an Agreement Date based on when the Repayment Agreement should have been reported on a voucher. The amount of the agreement is the original amount owed and the Total Payment is the total of all payments made to date. This will create a positive adjustment on the voucher increasing the voucher request. CAs may verify the accuracy of the transaction but may not refuse to process a Repayment Agreement transaction for an existing resident with a repayment balance due.

If a Repayment Agreement was reported (as an OARQ prior to 202D or as an Agreement in 202D) but there have been no payments (or other activity) or payments have stopped and when the Balance Due is not zero, submit a baseline Repayment Agreement.  A regular record will also be created based on the Status Rules.  For example, an IA-Inactive Repayment Agreement is displayed on the voucher each month.  The first 2.0.3A voucher will include the baseline record and the “regular” Inactive Repayment Agreement record.  See the 203A52670Part6BaselineExample.pdf. If any payments have not been previously reported, the Amount Paid on the regular record should be equal to the cumulative payments that were not reported. If the owner/agent opted to retain a portion of the payment based on the cost to collect the improper payment, the Amount Retained should be the lesser of 20% of the Total Paid or actual unreimbursed expenses.

**2.0.3.A: FSS Escrow Accounts**—Submit one Section 7 record for each active FSS escrow account—any account tied to a current resident who is still fulfilling their obligations under the ITSP. This initial record will assign a unique Agreement ID to each FSS Escrow account and show the current escrow balance in the Beginning Balance field. This record may or may not record a deposit to or withdrawal from the account depending on activity for that month.

After the first voucher submission including all such records and their current statuses, future vouchers need only include records with a Status of AV - Active, IA - Inactive, MA – Moved out Active or SU - Suspended.

### 4.9.2 Repayment Agreements and Improper Payment Tracking

HUD has a strong mandate to track improper subsidy payments and the return of payments made in error (repayment tracking). In order to comply with HUD’s requirements in regards to reporting improper payments/assistance-paid-in-error, owner/agents are required to submit corrected or new certifications reflecting the correct Assistance Payment (signed by the OA and the residents).

Owner/agents are also required to submit voucher transactions that have the effect of 1) providing the amount of the improper payment balance due, 2) recording any repayments from tenants (current and former) and 3) recording any amounts retained by the owner/agent.

Prior to the release of TRACS version 202D, the voucher transactions were submitted using the OARQ Miscellaneous Accounting Request with a comment field that included specific information - about improper payments and residents’ repayments – as provided in HUD HSG Notices 10-10, 11-21, and 13-06.

Since the release of TRACS version 202D, these transactions are submitted on HUD Form 52670 Part 6 (TRACS MAT30 Section 7 Record). Once TRACS 202D was released, OAs were advised NOT to use the OARQ Miscellaneous Accounting Request for this purpose. Use of the OARQ Miscellaneous Accounting Request for this purpose is no longer allowed.

Using one of these two voucher processes achieves two goals: 1) Information about amounts due related to improper payments is communicated to HUD and 2) the OA remains “financially whole” and is able to return funds to HUD when and if the tenant returns such funds (See HUD Handbook 4350.3 R1, C4 Paragraph 8-21).

*Note: There is no requirement for the certification adjustments and the repayment information to be included on the same voucher. The requirement is that all instances of improper payments resulting from tenant misreporting and that have a balance due are reported to HUD.*

Repayment Agreements come in two types: money being paid back by a tenant as a result of misreporting and money being paid back by an owner/agent as a result of an owner/agent error (See 4350.3, 8-21). Tenant and Owner repayment agreements used to be accounted for on the HAP voucher through OARQ Miscellaneous Accounting Request records. Starting with TRACS 2.0.2.D, these transactions are reported on the 52670-A, Part 6 voucher form and sent to TRACS in a MAT30, Section 7 record.

The Office of the Inspector General has ruled that there is no minimum amount for a repayment agreement.

***Note:*** *For the rules on calculations related to Repayment Agreements, see the spreadsheet CalculationsForRepayments.xls. There are four tabs. The first shows the proper calculations for a payment and retention. The second shows key Section 7 record fields for various Repayment Agreement scenarios.*

*It is important to remember that* ***rounding is down*** *for retention calculations. When in doubt, use the spreadsheet to create or check the calculations. The third tab shows FSS Escrow examples and the final tab shows examples of sequences of transactions and how they relate to each other. The fourth tab provides month-by-month examples.*

The proper way to address retroactive adjustments that result in Repayment Agreements is as follows: Allow the full amount of the adjustment(s) due to the retroactive action(s) to appear on the voucher. Do not prevent the adjustments from appearing on the voucher. Reverse the amount of the adjustment subject to the Repayment Agreement by submitting an Agreement record of type Tenant or Owner (T, O or N).

As the tenant makes payments, enter them on the voucher as Repayment Agreement records. Enter one request for each tenant making a payment in the voucher month. If the tenant is making payments for multiple agreements, submit multiple repayment agreement records. The amount paid to HUD *(Requested Amount)* in a given month may be the amount collected less allowed collection expenses per Handbook guidance. (See HH 4350.3 Paragraph 8-21 for additional information about owner/agent expenses.)

Owner payments are handled in a similar way but there is never any reduction in the payment for expenses incurred.

**General Rules:** If an investigation results in corrected/new certifications that decrease the rent for the tenant, see HUD Handbook 4350.3 Revision 1, Paragraph 8-24 for instructions on how to handle the refund.

The EIV Flag is set on any certifications being added or corrected as a result of the use of EIV.

If investigation determines that a household was over income at move in, the household may be allowed to remain in the unit and subsidy is recalculated. For subsidy types other than S8 RAD C1 and PRACs, if recalculation of the Move-in certification, in light of newer income determinations, results in the household being at $0 subsidy, the household should be terminated effective on the Move-in Effective Date using the NS Termination Code so that subsidy is automatically returned for the appropriate days including the Move-in Effective Date. Should the household’s income subsequently drop such that they are eligible for subsidy, an IC should be created and submitted. (See also Paragraph 4.7.1 above). Note that the terminated household is still subject to the repayment rules: an agreement must be entered on the voucher and payments recorded.

Site software needs to allow for the MAT30, Section 7 Record, Field 8 (Agreement Date) to accept past dates for current active Repayment Agreements.  This situation arises the first time a payment for an existing agreement is submitted and also when an owner/agent changes software and needs to capture original agreement dates.

The Unit Number reported in the repayment record should always be the unit in which the household is living on the first of the month prior to the voucher month or the unit they were last in if the payment is received after move-out. Similarly, the head of household information reported in the record is for the HOH as of the first of the month prior to the voucher month.

**Scenarios—Determining Whether or Not a Repayment Agreement is Required?:** Questions have come up on the mechanics of when corrected certifications are submitted and whether or not adjustments related to transmitted certifications may be reversed if there is no Repayment Agreement and the household has not paid the amount owed. There are several scenarios to address when misreporting is discovered through EIV or other methods.

1. Tenant refuses to cooperate in the investigation and moves out without signing any certifications. **There is no Repayment Agreement.**

**No retroactive certifications are created or transmitted**. Currently, owner/agents are prohibited from submitting certifications when a resident refuses to sign. These certifications must not be submitted with an Extenuating Circumstance Code in lieu of a signature.

1. Tenant remains in unit; verifications are completed; tenant does not sign certifications. **There is no Repayment Agreement.** No retroactive certifications are created or transmitted. Currently, owner/agents are prohibited from submitting certifications when a resident refuses to sign. Owner/agents should seek termination of tenancy for material non-compliance with the lease.
2. Tenant signs certifications but does not sign a Repayment Agreement. Certifications are transmitted and the total assistance paid in error (less any lump sum payment) is reversed with a Section 7 record of type N (None). Additional information can be found in HUD Handbook 4350.3 Revision 1, Paragraph 8-21. The type N (None) Repayment Agreement continues to appear on the voucher as long as the resident(s) remain in the unit following the rules for 2.0.3.A status codes. An N (None) Repayment Agreement uses the same status codes as a T (Tenant) Repayment Agreement. The primary difference is that the paper Repayment Agreement has not been signed by the resident.
3. Tenant signs certifications and Repayment Agreement. Certifications are transmitted and the total assistance paid in error (less any lump sum payment) is reversed with a Section 7 record of type T (Tenant). Additional information can be found in HUD Handbook 4350.3 Revision 1, Paragraph 8-21.

*Note: For either 3 or 4 above, a Section 7 record is transmitted but only if the tenant owes a balance when the record is created. An example showing what this transaction will look like has been added to the examples spreadsheet. See also* **Improper Payment Tracking When an Improper Payment is Partially Returned to HUD When Repayment Record is Created *below*.**

**Improper Payment Tracking When an Improper Payment is Partially Returned to HUD at the Same Time as a Repayment Record is Created: *Important Note: The guidance below is new for TRACS 2.0.3.A and stems from a HUD policy ruling that the instructions given in*** *HH 4350.3 Paragraph 8-21 are to be followed.*

If corrected and new certifications create voucher adjustments and if the tenant or owner/agent is not returning the full amount of any improper payment in the same voucher month as when the retroactive adjustments appear, a Section 7 record must be entered reflecting the reversing entry and a payment entry. However, if the tenant repays the entire amount of the improper payment immediately, no repayment agreement is recorded as a repayment agreement is only created to identify a balance due.

Therefore, If the full amount of the improper payment is returned when the Section 7 Repayment Agreement Record is created (Ending Balance - $0), no Section 7 record appears on the voucher. No paper Repayment Agreement is created.

*Note: Other than TM and MO certifications and MAT 10 (AR, IR, MI, IC) transactions submitted using the Extenuating Circumstances Code, certifications may not be submitted to HUD until the residents have signed. In the case of tenant misreporting, the OA should not use the Extenuating Circumstances Code-Other (or any other Code) when a resident or residents refuse to sign as appropriate. In these cases, termination of tenancy is the appropriate action. See HH 4350.3 Chapter 8 and also the HUD Model Lease.*

**For example (Partial payment of the amount of misreporting at the time the Repayment Agreement Record is created):**

* Robert Reynolds (HOH) lives in unit 112-A
* Last certification is October AR
* In June, OA begins next AR process
* OA discovers Robert failed to report an income increase
* OA verifies that increase began on 4/1 and resident increase averages more than $200.00 per month
* OA inserts retroactive 5/1 IR
* Residents signs IR on 6/11 and system creates an adjustment of -$180.00
* After analysis, it is determined that the total improper payment is $120.00 even though the adjustment is -$180.00
* OA asks resident to sign Repayment Agreement for $120.00 and resident issues check for $100 and signs an agreement for the balance due.
* OA creates a Repayment Agreement of type T (Tenant) with a status of AV (Active)
* Agreement amount is $20
* Amount Paid is $0
* The owner/agent may retain the lesser of actual expenses or 20% of $120.00 (amount collected) –See HH 4350.3 Chapter 8 for additional information about expenses

See the CalculationsForRepayments spreadsheet for examples of how various situations are handled.

**Multiple Outstanding Repayment Agreements for A Tenant:**

If the tenant or owner/agent has multiple Repayment Agreements running simultaneously (one agreement for one situation and another one for a later one), payments are reported separately for each agreement so that the person auditing the transactions can see what is happening. If there is more than one payment in a month for the same agreement, the payments must be reported as separate transactions.

*Note that it is acceptable to have multiple instances of misreporting covered by a single paper agreement. However, TRACS reporting for each instance of misreporting must be through multiple Section 7 records each with a unique Agreement ID—in effect through separate electronic agreements. The Agreement Date will also be different for each instance of misreporting.*

If a repayment agreement is renegotiated as a result of changed tenant financial circumstances or for any other reason, reporting for the revised agreement must be under the same Agreement ID as used in the original Section 7 record.  Doing this permits HUD and CAs to track all payments related to the original misreporting.

If there is a Repayment Agreement in effect and a tenant is involved in a new instance of misreporting, a new electronic agreement must be created with a unique Agreement ID and with an Agreement Date that reflects the new instance.  As stated above, it is permissible to have a single paper agreement that covers multiple instances of misreporting. If this is done, the paper agreement must clearly indicate the dates of and amounts of misreporting related to each instance. Having a new electronic agreement allows HUD and CAs to properly audit payments related to specific instances of misreporting.

Example: Creating a separate Repayment Agreement Record (with a separate Repayment Agreement ID) when there is more than one instance of tenant misreporting:

* In January 2013, OA reviews EIV Income Reports and discovers that a resident failed to report employment information for a new job with a start date of February 2012.
* The owner/agent completed appropriate verification and created an Interim Certification.
* Site software automatically created a voucher adjustment.
* The owner/agent then determined the amount of assistance-paid-in-error (not always the same as the voucher adjustment) and the resident entered in to a Repayment Agreement.
* The Repayment is entered in to site software and the Repayment Agreement ID is 11111111
* In January 2014, OA reviews EIV Income Reports and discovers that a resident failed to report an increase in income and that increase was effective March 2013.
* The owner/agent completed appropriate verification and created an Interim Certification.
* Site software automatically created a voucher adjustment.
* The owner/agent then determined the amount of assistance-paid-in-error (not always the same as the voucher adjustment)
* The paper Repayment Agreement is modified to include the new amount owed. *(Note: Owner/agents may modify or addend the current agreement based on corporate policy and local tenant/landlord rules or the OA may execute a separate paper agreement)*
* The OA enters a second Repayment Agreement and the Repayment Agreement ID is 22222222.

Note: When a tenant has more than one Repayment Agreement Record with a balance greater than zero, owner/agents have two options.

The first option is to apply all payments to one Repayment Agreement until that agreement is complete *(zero balance)* and then to apply all payments to the next Repayment Agreement.

If the owner /agent uses this method, the Repayment Agreement being paid has a Status Code of Active - AV *(as long as payments are made and the resident does not miss three consecutive payments).* The other agreements will have a Status Code of Inactive - IA until the first Repayment Agreement is Complete (CO) and payments start on the next Repayment Agreement.

The second option is to apportion payments among multiple outstanding Repayment Agreements. All of the Repayment Agreements will be given a Status Code of Active – AV. For example:

* Resident has three instances of misreporting and the owner/agent has created three separate Repayment Agreement transactions
* They have been reported on separate voucher submissions
* Resident pays $33.00 per month
* $11.00 per month is applied to each Repayment Agreement

For this second option, all Repayment Agreements are given a Status Code of Active – AV

**Accuracy of Agreement Amounts:** Since the release of TRACS 2.0.2.D and the use of the Section 7 records to report Repayment Agreement transactions, CAs have said that the adjustments associated with initial repayment agreement transactions (the reversing entry) are not always correct. On investigation, the adjustments themselves have been found to be correct based on certification effective dates and cert data.

**An example resulting in a mismatch between the Repayment Agreement Amount and the net of the adjustments on the voucher**: In this case, the tenant begins paying the new rent on October 1 for a corrected current certification with an Effective Date of February 1. The corrected certification causing the Repayment Agreement, appears on the November voucher. The Repayment Agreement is in the amount of $800 ($100 decrease in assistance for February-September) but the total of the adjustments is -900 because the adjustments run through October up to the voucher date. The Section 7 record reversing entry (creating the agreement) will have a requested amount of +800 and is correct given the circumstances described.

* Sara Stevens (HOH) lives in unit A1
* December AR
* IR effective 2/1 submitted in February – TTP = $25 and AP = $725
* In September, OA begins next AR process
* Through EIV, OA discovers Sara failed to report employment when February IR was completed
* OA verifies that employment began on 1/28 and OA verifies income
* On 9/10 OA submits October voucher *(AP request for Sara is $725)*
* OA creates IR correction to 2/1 IR and the EIV Indicator set to Y – After deductions, TTP = $125 and AP = $625
  + The certification is reported on the November voucher.
* Residents signs IR correction on 9/15 and system creates an adjustment of -$900 (Feb – October)
* Resident begins paying new rent in October *(no 30-day Rent Increase Notice since tenant failed to report as required)*
* OA asks resident to sign Repayment Agreement for $800
* OA Enters Repayment Agreement Type T (Tenant)
* Agreement Amount is $800.
* Unless there is a payment, Requested Amount is +800

*Note: The amount of the improper payment is $800. It is not appropriate to enter into a repayment agreement for $900 simply to match the total of the adjustments.*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Month** | **Unit Rent** | **Amnt. Resident Paid** | **Amnt. on Voucher** | **Total** | **Correct Voucher Amnt.** | **Voucher Adjust** | **Net Total Received by OA from HUD & Resident** | **Total Repayment** |
| Feb | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Mar | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Apr | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| May | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Jun | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Jul | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Aug | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Sep | $750 | $25 | $725 | $750 | $625 | ($100) | $650 | $100 |
| Oct | $750 | $125 | $725 | $850 | $625 | ($100) | $750 | $0 |
| Nov | $750 | $125 | $625 | $750 | $625 | $0 | $750 | $0 |
| **Total** | **$7,500** | **$450** | **$7,150** | **$7,600** | **$6,250** | **($900)** | **$6,700** | **$800** |

*Important Note: Because of situations like the above, CAs may not routinely reject initial Repayment records simply because the Agreement Amount does not match the sum of the adjustments caused by the applicable certifications.*

**Improper Payment Tracking in The Absence Of A Repayment Agreement:** If the tenant has signed retroactive certifications but does not sign a Repayment Agreement (See Scenarios Case 3 above: Tenant signs certifications but does not sign a Repayment Agreement) the certifications are transmitted and the reversing entry is created by entering a Repayment Agreement record using an Agreement Type of None (N). CAs must accept type N agreements. See example #14 in the CalculationsForRepayments spreadsheet. This is true even if the owner/agent policies require termination of tenancy instead of execution of a repayment agreement as long as the steps required to terminate tenancy have been initiated. **For example:**

* Jane Jacobs (HOH) lives in unit 101
* Last certification is December AR – TTP = $25 and AP = $575
* In September, OA begins next AR process
* Through EIV, OA discovers Jane failed to report a new job
* OA verifies that employment began on 2/21 and resident earns $10.00/40 hours per week
* On 9/10 OA submits October voucher *(AP request for Jane is $575)*
* OA inserts retroactive IR with an Effective Date of 3/1 and the EIV Indicator set to Y – TTP = $520 and AP = $80
  + The certification is reported on the November voucher
* Residents signs IR on 9/15 and system creates an adjustment of -$3960
* Resident begins paying new rent in October *(no 30-day Rent Increase Notice since tenant failed to report as required)*
* OA asks resident to sign Repayment Agreement for $3465.00 and resident refuses
* OA Enters Repayment Agreement Type N (None)
* Agreement Amount is $3465.
* Unless there is a payment, Requested Amount is $3465.00

See explanation of calculation of the Repayment Agreement Amount below:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Month** | **Unit Rent** | **Amnt. Resident Paid** | **Amnt. on Voucher** | **Total** | **Correct Voucher Amnt.** | **Voucher Adjust** | **Net Total Received by OA from HUD and Resident** | **Total Repayment** |
| March | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| April | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| May | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| June | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| July | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| Aug | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| Sept | $600 | $25 | $575 | $600 | $80 | $495 | $105 | $495 |
| Oct | $600 | $520 | $575 | $1,095 | $80 | $495 | $600 | $0 |
| Nov | $600 | $520 | $80 | $600 | $80 | $0 | $600 | $0 |
| **Total** | **$5400** | **$1215** | **$4680** | **$5895** | **$720** | **$3960** | **$1935** | **$3465** |

$5400 (Unit Rent) - $1935 Net Total Received from HUD and Resident) = $3465 (Repayment Agreement Amount)

**Processing A Gross Rent Change in The Same Voucher Month as Transactions That Will Be Reversed Subject to A Repayment Agreement:** In rare cases, a Gross Rent Change (GR MAT 70) will be applied and will be submitted with certifications (corrected or new) created when a tenant fails to fully and accurately report income or changes in household composition. There is no rule prohibiting submission of a Gross Rent Change - even a deeply retroactive one - in the same month as certifications (corrected or new) related to tenant misreporting.

The GR – even a retroactive GR - will provide the correct Contract Rent and correct Utility Allowance. It is acceptable for an owner/agent to submit these transactions using any of the three scenarios described below:

* 1. GR transmitted in Month 1 and tenant misreporting transmitted in Month 2
  2. GR and tenant misreporting both transmitted in the same month
  3. Tenant misreporting transmitted in Month 1 and GR transmitted in Month 2

There should be no difference in the net adjustments in the three scenarios. It is not correct to argue that the “correct” amount of misreporting can only be determined in a month where a GR is not being processed simultaneously. Repayment Agreement amounts do not always equal voucher adjustment amounts.

**Providing Repayment Agreement Information That Was Not Reported Previously:** In some cases, owner/agents created and submitted corrected/new certifications (created in response to tenant misreporting) but the OA did not submit the required OARQ or Repayment Agreement Record (52670 Part 6). The adjustments driven by the corrections/new certifications were reflected on the voucher, but the amount of the improper payment was never “reversed”.

It is assumed that the owners have been tracking any repayment amounts received and have not reported any improper payment/repayment information to HUD through TRACS.

*Note: If the OA did not create the “reversing entry”, but did send repayment transactions (creating a voucher adjustment), the voucher request amounts were incorrect and additional action is required.*

Under 2.0.3.A rules, the status of all Repayment Agreements with non-zero balances must be reported to TRACS on the first 2.0.3.A voucher. See **Repayment/Escrow Baseline—Required on the first 203A voucher in 4.9.1 above.**

Special Rules for Repayment Agreements Involving S8 RAD C1 Conversions (PH) (Waiting for HUD confirmation)

Special Rules for Repayment Agreements Involving S8 RAD C2 Mod Rehab to PBRA RAD Conversions (PH) (Waiting for HUD confirmation)

Special Rules for Repayment Agreements Involving S8 RAD C2 Rent Supp/RAP/PRAC to PBRA RAD Conversions (PH) (Waiting for HUD confirmation)

**Family Self Sufficiency (FSS) Escrows:** HUD Housing Notice 2016-08 [*Family Self Sufficiency Program in Multifamily*](http://portal.hud.gov/hudportal/documents/huddoc?id=16-08hsgn.pdf) communicates information about the Family Self Sufficiency program and its applicability to the HUD Multifamily industry. When in doubt about how to deal with a specific scenario, please refer to the Notice or any subsequent Notices/guidance issued by HUD.

The Section 7 record will now be used to report information about FSS Escrow Account transactions--contributions to and withdrawals from the escrow account--as called for by the FSS Contract of Participation (CoP). Withdrawals may be made either when the tenant fulfills the CoP requirements, when a tenant transfers to another property and continues to participate in the FSS program, or when participation in the program is terminated. Owner/agents supporting the FSS program must follow HUD FSS guidance with respect to the FSS escrow account.

FSS Escrow transactions are different than Repayment Agreement transactions in that there is no Agreement Amount. Accordingly, the Beginning Agreement Amount, Agreement Change Amount and Ending Agreement Amount fields are not filled for FSS Escrow transactions. Also, while Repayment Agreement payments are returning money to HUD, FSS Escrow deposits are funded with money from HUD. A tenant Payment for a Repayment Agreement is entered as a positive amount and results in a negative Requested Amount. For an FSS Escrow, the Payment is entered as a negative amount that results in a positive Requested Amount.

Note that there is a difference between how you record a disbursement of funds to the tenant after successful completion of the CoP agreement and how you return escrow funds to HUD in the event that the CoP is terminated early. See the new Section 7 FSS Escrow Examples tab in the CalculationsForRepayments spreadsheet for examples. For the disbursement, money is given to the tenant and nothing is sent to or received from HUD (Requested Amount is 0). For the termination, the current escrow balance is returned to HUD (Requested Amount is negative).

When the Individual Training and Services Plan (ITSP) contract is signed, a Section 7 record must be transmitted to TRACS on the next voucher with a Transaction Type of E to indicate the execution/creation of the contract. There is no requirement to immediately transmit a full certification to indicate which members are subject to the contract. The next full certification transmitted under the normal rules will use the Special Status Code of F to indicate the members who are participating.

Owner/agents are required to post any accrued interest to individual FSS Escrow Accounts at least annually. The owner is required to meet with each tenant annually to review the agreement, the account and the current balance including interest earned.

If a certification changes and, subsequently, the escrow deposit amount changes, the OA will submit separate FSS escrow transactions reversing the prior deposits and depositing the new corrected total. See the CalculationsForRepayments spreadsheet for an example—Month by Month Examples—Example #6.

Special Rules for FSS Escrows for a S8 RAD C1 Conversion (Waiting for HUD Confirmation)

Rules for FSS Escrows for a S8 RAD C2 Mod Rehab to PBRA RAD Conversion (Waiting for HUD Confirmation)

## Baselines—See Appendix J

There are three different uses of the term Baseline. First, there is the concept of a baseline certification. The original TRACS guidance related to baseline certifications is reproduced in Appendix J. Second, there is the Re-baseline Process, also described in Appendix J. Finally, there is the new History Baseline intended to exchange multiple years of certification and rent history between and among CAs and sites. Appendix J, contains the definitions and details for this new baseline type.

**All software (Site and CA) must support the creation of history baselines**. In 2.0.3.A, Site software must also include the MAT90 series records in the baselines it produces. The MAT90 records were optional for OA software in TRACS 2.0.2.D.

## Transmission Protocols that Ensure Successful TRACS Processing

TRACS batch processing order dictates strategies to ensure that data is processed correctly. Each night TRACS first processes all Move-outs. Next it processes all Terminations/Suspensions followed by all MAT10 full certifications. Finally, TRACS records all Unit Transfer (UT-MAT 70) and Gross Rent (GR-MAT 70) records. Certification records should be transmitted with an understanding of the TRACS transaction processing sequence.

Transaction files are processed within each category in order of the date-time stamp associated with the file. If a series of transactions for the same tenant are submitted within the same transmission, without regard to the sequence in which TRACS processes the transactions, the results may differ from what the submitter intended.

When there is more than one certification for a household or unit, the conservative course of action is to submit certifications in different transmissions in effective date order, waiting until a certification has been processed in TRACS before sending the next certification in the sequence.

In particular, if there are two MAT70 records for a tenant it is especially important to transmit in order of effective date. If they are transmitted as part of the same batch, chance will determine which one is processed first. The last one processed is the one that will be current and active and that will show up in TRACS queries.

**NOTE:** A “batch” from a TRACS point of view includes all records processed in a nightly run whether or not they were sent in different MAT files.

When tenant files are received by TRACS – whether it is sent directly from the site or through a CA – they are processed in the following order.

TRACS:

1. Processes move-outs first (MAT 40)
2. Followed by terminations/Suspensions (MAT 65)
3. Followed by full certifications (MAT 10)
4. Followed by unit transfers (MAT 70)/Gross rents (MAT 70)

**TRACS considers the last recorded action to be the most current action.**

When information is submitted in the order it occurs, everything works fine. However, when retroactive transactions are submitted, problems may occur. When preparing to send TRACS file, you should review the information submitted very carefully to identify potential problems. When the TRACS tenant file contains multiple transactions for one household or one unit, be sure that you understand how information will be processed.

## Impact of Retroactive Certifications

It is important to understand the TRACS concept of sequence and its relationship to partial certifications. Since TRACS cannot store partial certifications (GR, UT, TM, MO) as standalone transactions, any partial certification has to attach to the most recent full certification with an effective date less than or equal to the partial certification effective date. Only the most recently recorded partial certification displays in the TRACS certification query and the combination of the full certification and the partial is considered to be the current and active certification. If partial certifications are not transmitted in effective date order, or if multiple partial certifications are submitted for the same household in the same TRACS submission, the current and active certification shown on the TRACS Certification Query may not reflect reality.

An example of how TRACS processes certifications is illustrated below. All certifications are submitted as indicated:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Sequence #** | **Unit #** | **Cert Type** | **Effective Date** | **TRACS Process Date** | **Voucher** | **Subsidy** |
| 1 | B50 | Move-in | 1/1 | 1/3 | February | $400 |
| 2 | B50 | Gross Rent | 2/1 | 2/15 | April | $420 |
| 3 | G21 | Unit Transfer | 4/15 | 4/17 | June | $480 |

The MI certification is assigned sequence number 1. The Gross Rent carries sequence number 2 and the UT gets sequence number 3. Assume that the unit transfer is into a larger unit, hence the larger subsidy. In TRACS, the information would display as illustrated.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sequence** | **Unit #** | **Cert Type** | **Cert Effective** | **Action** | **Transaction Effective Date** | **TRACS Process Date** | **Subsidy** |
| 3 | G21 | Move-in | 1/1 | UT | 4/15 | 4/17 | 480 |
| 2 | B50 | Move-in | 1/1 | GR | 2/1 | 2/15 | 420 |
| 1 | B50 | Move-in | 1/1 |  | 1/1 | 1/3 | 400 |

All three submissions are considered to be different instances of the same MAT 10 certification—the move-in on 1/1.

Now suppose that the site creates a correction to the move-in.

Site software will automatically create corrections for certifications effective after the corrected certification was effective.

In turn, the three corrections (MI, GR, UT) would be included in the same TRACS tenant file. There could be problems if all the certifications were sent at the same time.

If you were to go into the TRACS Certification Query and look at the Certification History (the Secure Connection) the day after TRACS processed this tenant file, here is what you would see:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sequence** | **Unit #** | **Cert Type** | **Cert Effective** | **Action** | **Transaction Effective Date** | **TRACS Process Date** | **Subsidy** |
| 6 | B50 | Move-in | 1/1 | GR *(correction to the GR)* | 2/1 | 6/2 | 430 |
| 5 | G21 | Move-in | 1/1 | UT *(correction to the UT)* | 4/15 | 6/2 | 490 |
| 4 | B50 | Move-in | 1/1 | CT *(correction to the original MI)* | 1/1 | 6/2 | 410 |
| 3 | G21 | Move-in | 1/1 | UT | 4/15 | 4/17 | 480 |
| 2 | B50 | Move-in | 1/1 | GR | 2/1 | 2/15 | 420 |
| 1 | B50 | Move-in | 1/1 |  | 1/1 | 1/3 | 400 |

Notice what happens after the correction to the move-in, the correction to the gross rent change and the correction to the unit transfer are sent. The information was received, but processed based on transaction type – not transaction effective date. Therefore, TRACS thinks the resident is still in unit B50.

This is easy to fix. All you need to do is re-submit the unit transfer to make the data correct. Once additional certifications are processed, the certification history will look like this:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sequence** | **Unit #** | **Cert Type** | **Cert Effective** | **Action** | **Transaction Effective Date** | **TRACS Process Date** | **Subsidy** |
| 7 | G21 | Move-in | 1/1 | UT *(resubmit corrected UT)* | 4/15 | 7/2 | 490 |
| 6 | B50 | Move-in | 1/1 | GR *(correction to the GR)* | 2/1 | 6/2 | 430 |
| 5 | G21 | Move-in | 1/1 | UT *(correction to the UT)* | 4/15 | 6/2 | 490 |
| 4 | B50 | Move-in | 1/1 | CT *(correction to the original MI)* | 1/1 | 6/2 | 410 |
| 3 | G21 | Move-in | 1/1 | UT | 4/15 | 4/17 | 480 |
| 2 | B50 | Move-in | 1/1 | GR | 2/1 | 2/15 | 420 |
| 1 | B50 | Move-in | 1/1 |  | 1/1 | 1/3 | 400 |

**Preventative Measures**

When sending multiple certifications for a household in the same TRACS transmission, TRACS might process them in such a way that you do not get the result you want. This is why it is critical to understand what is included in the Tenant file BEFORE it is sent to TRACS or a CA.

Even when certifications are submitted in order (AR, UT, GR) only the last partial shows in the tenant query. In this case, the Unit Transfer (UT-MAT 70) is “masked” when the Gross Rent (GR-MAT 70) arrives. In this case, the owner/agent will resubmit the UT to ensure that the current and active certification shown in the TRACS Certification Query reflects the correct current status.

## Gross Rent Changes

The instructions below assume that all certifications processed are for the same subsidy contract/type.

When creating a Gross Rent Change, adhere to the following guidelines:

If the effective date corresponds to that of a full certification and the certification has been finalized, correct the full certification.

***Note:*** *In practice, TRACS will accept either a corrected full certification of any type, or a partial certification effective on the same date as an existing full certification. However, even though TRACS will do this, a separate GR (partial) certification should be sent only if it does not have the same effective date as a finalized full certification. When there is a finalized certification, correct it with the new rent/UA values.*

***Note:*** *A GR may be submitted as an Annual Recertification (AR-MAT 10) and not an Annual Recertification (AR-MAT 10) correction if the Annual Recertification (AR-MAT 10) has not yet been sent to TRACS. This is a legal transaction. From a CA auditing point of view, the only evidence that the Annual Recertification (AR-MAT 10) is an AR/GR is the fact that the rents and UAs have been updated to current values. The same principle applies to other full certification types as well.*

If the effective date corresponds to that of a partial certification that has already been received by TRACS:

* If the existing certification is a Move-out (MAT 40) or Termination (MAT 65), submit the Gross Rent (GR-MAT 70) and then resubmit the Move-out (MAT 40) or TM after waiting for TRACS to successfully process the Gross Rent (GR-MAT 70). Set the Correction Type flag to “R”.
* If the existing certification is a MAT 70 Unit Transfer, submit a Unit Transfer (UT-MAT 70) with the rent applicable after the Gross Rent (GR-MAT 70) and set the MAT 70 correction flags as appropriate.
* If the existing certification is a MAT 70 gross rent, you are correcting a gross rent change and should submit a MAT 70 Gross Rent (GR-MAT 70) setting the correction flags.

***Note****: These situations create special challenges for TRACS. The safest course of action is to back up to the last full certification, submit it as a correction, and resubmit any subsequent partial certifications effective earlier than the gross rent change.*

* If the effective date does not correspond to the effective date of any other certification, submit a MAT 70 with the new rent/UA information.
* If there are other certifications, effective after the gross rent change effective date, proceed as follows:

1. Start with the certification with the earliest effective date after the gross rent date.
2. Follow the chain of certifications forward, either correcting/recalculating or resubmitting transactions.
3. For full certifications, correct the certification and submit.
4. For partial certifications:
   1. For Move-outs and Terminations, set the Correction Type flag to “R”. Resubmit the transaction after the GR has been successfully recorded in TRACS.
   2. For Unit Transfers, recalculate and set the Correction Type flag to “R”. Resubmit the transaction after the GR has been successfully recorded in TRACS.
5. Stop the correction/change process when any of the following is true:
   1. The next certification in the chain is a Gross Rent Change. In this case, simply resubmit the Gross Rent along with any subsequent partial certifications effective prior to the next full certification.
   2. There are no more certifications

## GR Submitted in Advance of the GR Effective Date

It is not good practice to submit Gross Rent Changes in advance of the Gross Rent (GR-MAT 70) effective date as it creates challenges for site, CA and TRACS software. All GRs, as they can involve corrections to existing certifications, should be submitted after the fact, even if they are effective on the first of the month. However, they should be submitted promptly after they take effect.

From a TRACS and CA software point of view, if the future Gross Rent (GR-MAT 70) is effective after an Annual or other certification that has yet to be transmitted, TRACS will attach the Gross Rent (GR-MAT 70) to an incorrect certification.

From a site software point of view, if a tenant moves in prior to the effective date of the Gross Rent (GR-MAT 70) but after the Gross Rent (GR-MAT 70) has been completed and sent, there may not be a mechanism to include the GR with the MI certification only.

If an in-place tenant moves out after the Gross Rent (GR-MAT 70) has been sent but prior to the Gross Rent (GR-MAT 70) effective date, adjustments need to be made.

Notwithstanding the above discussion on when GRs should be executed and sent, for TRACS 2.0.2.D and later, GRs are permitted on a voucher if the effective date is greater than the first of the month prior to the voucher date and less than or equal to the voucher date. See **Anticipated Voucher Dates** (4.25 below) and Appendix H. OAs are still encouraged to execute GRs only after the date on which they are effective.

## Correcting a Gross Rent Change

There are many different scenarios where this might be necessary:

1. Owner/agent submits Gross Rent (GR-MAT 70) before approval is received
2. Gross Rent (GR-MAT 70) is approved, but subsequently rescinded and re issued with a new effective date
3. Gross Rent (GR-MAT 70) is approved, but subsequently rescinded and re issued with different rent
4. The Gross Rent (GR-MAT 70) has been sent previously but now the certification on which it is based changes (a corrected full cert is submitted or a new cert with an effective date greater than the original full cert and less than the GR effective date) is sent

In case #1, if the goal is to “erase” the GR in TRACS, simply resubmit, as a correction, the most recent full certification effective prior to the GR effective date and follow up on successive days by retransmitting any partial certifications effective after the full cert.

In case #2, resubmit, as a correction, the most recent full certification effective prior to the GR effective date and follow up on successive days by retransmitting any partial certifications effective after the full cert in effective date order. The “corrected” GR would be sent in its proper turn.

In case #3, For 2.0.2.D and above, recalculate as usual and resubmit with the new rent and/or UA and set the new Correction Type field to “R”.

In case #4, For 2.0.2.D and above, recalculate as usual and resubmit with the new rent and/or UA and set the new Correction Type field to “R”.

## UT/GR Both Effective on the Same Date

The only way to transmit both transactions simultaneously to TRACS is as a single MAT70 Unit Transfer record as opposed to two MAT70s--one UT and one GR. This will take care of the unit number change and will change the rent.

If one certification is transmitted before the other, especially in the same nightly batch, the luck of the draw will determine which record is processed first and you might not get the result you want. The only way to enforce sequence of processing of records of the same type is to submit them on different days.

## Uses of the Previous Head Information Fields in the MAT10, Section 2, Record

There are two uses for the Previous Head information fields in the MAT10, Section 2 record from a TRACS perspective. The traditional use is to deal with a certification that changes the head-of-household relative to the previous full certification. The second use is to correct head-of-household identifying information.

Five of the “previous” fields included on the MAT10, Section 2 record (Head Id, MAT10 Effective Date, Head Last Name, Head First Name, And Head Birth Date) must be filled when a change or correction is required to one or more Head-Of-Household identifiers. The requirement for performing the change is the same regardless of the identifier being changed.

**Important Note:** TRACS is not designed to handle the correction of Head-Of-Household SSNs retroactively. Consider this example:

* Tenant moves in on 1/10/2018. Site submits a 1/1/2019 AR and a 1/1/2020 AR.
* While doing an 8/1/2020 Interim Recertification (MAT 10), the site discovers that the HOH SSN has been incorrect since the MI.
* The proper method to correct the SSN is to send the 8/1/2020 Interim Recertification (MAT 10) with the new SSN and with the previous head fields filled and the active certification effective date pointing to the 1/1/2020 AR. DO NOT attempt to correct the SSN on any of the prior certifications.
* If you were to process a retro GR going back to 1/10/2018, the corrected Move-In (MI-MAT 10) and ARs will not update the SSN. The original incorrect SSN MUST remain in those certifications.

TRACS expects that SSNs will be corrected going forward—not retroactively. The Previous Cert Effective Date field is intended to point to the current and active certification in TRACS—not to any earlier certification.

**Important Note:** After submitting a member record with all 9’s in the SSN field indicating the absence of an SSN, TRACS returns a TRACS Identification Number (T-Number) to be used in future submissions. There is no need or expectation that the most recent certification be corrected to reflect the new T-Number.

In addition, when submitting the first certification after a Head-Of-Household receives a T-Number, do NOT complete the previous head fields. TRACS already has the T-Number stored. The previous head fields are only used when changing the head information. Using a T-Number is not changing TRACS information.

However, if a Head-Of-Household’s data has been sent to TRACS with the SSN set to all 9’s, TRACS has issued a T-Number whether or not the owner/agent has recorded and started using it. Should such a head obtain a valid SSN, in the transaction to change to an SSN (see case 2:c)1 below), the T-ID MUST be filled in the Previous Head ID field otherwise TRACS will not be able to complete the update. If the T-ID is not known, it should be obtained from the Help Desk or the TRACS message returned in response to the certification submitted with all 9’s. This information may also be found in EIV when reviewing the Failed Pre-Screening Report.

***Important Note for CAs:*** *A CA will occasionally see an Initial Certification (IC-MAT 10) corresponding to a change of Head-Of-Household (previous Head-Of-Household information filled) where the CA may not have any previous certifications for the household. This can happen when the tenant has previously been on a Section 236 or BMIR certification and qualifies for deeper subsidy. TRACS will have the full history for the tenant and will link the new certification to the prior certifications in the TRACS database. Therefore, it is important for the CA to accept the change of head indicated on the Initial Certification (IC-MAT 10) and pass it on to TRACS.*

**Example 1: No SSN for the Head – TRACS Generates a T-ID Number**

When a certification is submitted to generate a T-ID, none of the “previous” fields of the MAT10, Section 2 record are involved. Instead, 9s are entered in the identification code field of the MAT10 Section 3 record along with values for the pertinent mandatory member Identifiers (Last Name, First Name, Birth Date) and non-mandatory Middle Initial - if available. Using the information, TRACS generates the T-ID and stores it and the member information in the Household Member Table for later reference. When an SSN is received for the Head-Of-Household, another MAT10 must be submitted with the original Head-Of-Household information recorded in the “Previous” fields except that the Previous Head ID will contain the previously generated T-Number.

**Example 2: T-ID Exists**

a) **T-ID is Unknown**

When the user needs to submit a transmission to TRACS but does not remember the T-ID, submitting the following in the MAT10, Section 3 Family record enables TRACS to locate the existing T-ID and insert it into the certification during processing. Because the user is not changing any of the identifiers, the MAT10 Section 2 “previous” fields are not required and, therefore, should not be included in the submission.

- Identification code (999999999)

- Last Name (M)

- First Name (M)

- Middle Initial (MOC)

- Birth Date (M)

b) **T-ID Exists – One or more Identifiers Changed**

When any of the identifiers change, values for all mandatory identifiers must be submitted on the MAT10 Section 3 record. For example, to change the tenant’s last name from Davis to Davis-Hines follow the procedure below:

1. Fill in the new information along with all mandatory identifiers on the MAT10, Section 3 record.

- Last Name (DAVIS-HINES) (M)

- First Name (M)

- Middle Initial (Optional, but if this field changes from the previous submission, all “previous” fields in the MAT10, Section 2 record must be filled).

- Birth Date (M)

- Identification Code (M)

1. Fill in the five (5) “previous” fields (mandatory identifiers) on the MAT10, Section 2 record. All five fields are required and the information supplied in the fields must be valid data taken from the most recent (prior) certification stored in TRACS. TRACS compares the information submitted in the “previous” fields with the data stored in the TRACS database.

Any variation in the comparison will cause the submission to be rejected and fatal error F0130 generated.

- Previous Head Id (M)

- Active MAT10 Effective Date (M)

- Previous Head Last Name (DAVIS) (M)

- Previous Head First Name (M)

- Previous Middle Initial (Must match the previously submitted value in the household’s previous MAT10, Section 3 record)

- Previous Head Birth Date (M)

After processing the change and updating the member table, TRACS uses the data submitted in the “previous” fields, to locate and de-activate the tenant’s prior certification. It also creates a link between the newly created certification and the old certification so both display in the tenant’s history list.

c) SSN Exists – One or more Identifiers Changed

When any of the identifiers change, values for all mandatory identifiers must be submitted on the MAT10 Section 3 record. For example, to update the tenant’s T-ID (T00000901) to his permanent SSN (321421521) follow the procedure below:

1. Fill in the five (5) “previous” fields (mandatory identifiers) on the MAT10, Section 2 record. All five fields are required and the information supplied in the fields must be valid data taken from the most recent (prior) certification stored in TRACS. TRACS compares the information submitted in the “previous” fields with the data stored in the TRACS database. Any variation in the comparison will cause the submission to be rejected and fatal error F0130 generated.

- Previous Head Id (T00000901) (M) [T-Number required in this case. All 9’s will not work]

- Active MAT10 Effective Date (M)

- Previous Head Last Name (M)

- Previous Head First Name (M)

- Previous Middle Initial (Must match the previously submitted value in the household’s previous MAT10, Section 3 record.)

- Previous Head Birth Date (M)

2. Fill in the new information along with all mandatory identifiers on the MAT10, Section 3 record.

- Last Name (M)

- First Name (M)

- Middle Initial (Optional but, if this field changes from the previous submission, all “previous” fields in the MAT10, Section 2 record must be filled)

- Birth Date (M)

- Identification Code (321421521) (M)

After processing the change and updating the member table, TRACS uses the data submitted in the “previous” fields, to locate and de-activate the tenant’s prior certification. It also creates a link between the newly created certification and the old certification so both display in the tenant’s history list.

*Note: This example may be used to change any of the Head-Of-Household identifiers.*

## Contract Combinations

TRACS eliminated this Headquarters procedure on 11/12/2004. Eliminating the procedure allows the Industry to handle the termination and re-instatement of subsidy for contracts that have been combined.  This is appropriate since most properties submit a Termination to terminate each tenant from the old contract, effective the day before the combination date.  They then submit an Initial Certification for each tenant, effective on the combination date, to take the tenant to the new contract.

There is no mechanism in place to deal with retroactivity prior to the contract combination date. All billing after the combination should be for the new contract no matter what the Effective Date of the certification. This is a grey area for site software. Contract Administrators are encouraged to allow flexibility in dealing with retroactivity including allowing OARQ adjustments in lieu of certifications submitted with the new contract number.

## Contract Splits

HUD has no formal mechanism for addressing these situations. However, from a site level accounting point of view, the best thing is to Terminate the affected tenants the day prior to the split date and then create and submit Initial Certifications effective on the split date. This ends billing for the old contract and establishes it for the new contract. The Initial Certifications should have the Do Not Check Eligibility flag set to yes.

It is unclear whether billing for retroactive events prior to the split date should be on the old or the new contract. When in doubt, consult with your Contract Administrator or HUD office. Since there are no defined rules on how to handle these cases, CAs and HUD offices should be flexible with respect to billing.

For example, if site software is unable to bill for retroactive transactions on the contract desired by the CA or HUD, the owner should be allowed to offset the billing for the affected certifications with an OARQ Miscellaneous Accounting Request on the HAP Voucher and to bill on the correct contract using the same mechanism.

## First and Last HAP Vouchers

There will be no formal requirements for dealing with first and last HAP Vouchers for 2.0.2.D and later. What follows are suggestions for handling these cases in the absence of defined rules.

**First HAP Voucher**

With PRACs, work with the Financial Management Center to get them the transactions that they need.

**Last HAP Voucher**

With respect to the Last HAP case, there is a relatively simple workaround to get to a final Voucher that includes payments for transactions that the cert selection rules prevent from appearing on a HAP.

1. Generate the regular Voucher for the final month of the contract.
2. If there are transactions that would normally appear on the next voucher
   1. Generate the next voucher
   2. Print and retain the next voucher
3. Include the total from the next voucher on the final voucher in the form of an OARQ miscellaneous request.
4. Transmit the final voucher but do not transmit the next voucher.

Note that it may be necessary to generate and print two “next” vouchers if there are any transactions effective after the first of the month on the final month. Also, it is good practice to terminate all households effective on the last day the contract is live. That will cause the second “next” voucher to generate all of the correct adjustments to facilitate the calculation of the OARQ amount on the final voucher.

## Correcting Partial Certifications After a Full Cert Insertion or Correction

Because of the design of the TRACS data model, whenever a full certification is corrected or whenever a full or partial certification is added effective prior to a full certification, any partial certifications (MO, TM, UT, GR) effective on or after the effective date of the corrected or added certs and prior to the next full certification in TRACS should be recalculated where applicable and retransmitted to TRACS as corrections.

Special attention should be paid to the processing order to ensure that transactions are recorded properly in TRACS. Also, sending multiple MAT 10 records for the same household in a single TRACS transmission may result in unexpected errors. It is best to send each MAT 10 separately, on separate days. Owner/agents should check TRACS to ensure that each transmission was recorded correctly before transmitting the next certification. CAs should monitor this process as well to ensure that there are no problems in TRACS and subsequently, no problems in EIV.

When spreading out the transmission of certifications, keep in mind that it is a requirement to resolve EIV discrepancies within 30 days. Also, if you are submitting through a CA, many CAs do not process and transmit certifications as they receive them. They hold all certifications until transmitting the monthly voucher. In those cases, there is no advantage to transmitting certifications one at a time. When in doubt, talk to your CA.

## Site Software and TRACS Errors

Site software must allow owner/agents to view TRACS messages as sent from TRACS without alteration. If the software vendor wants to interpret the messages for its users, append the vendor's advice or interpretation starting on a new line at the end of the TRACS message text indicating, that this is a vendor addition (See **CA Error Checking** below for the proper format). The reason for this requirement is that the text associated with TRACS messages is subject to change without notice. If all that the user can see is the vendor-interpreted message, valuable information or advice may be lost.

Site software vendors should keep in mind that CA software may also be appending advice to TRACS messages or may be returning messages with codes different than those that TRACS uses. Whatever messages are returned by the CA must be available unaltered to the user.

## Printing Vendor Information on HUD Forms

It is permissible, but not required, for vendor software to print information about the software printing a HUD form. However, such information should be printed in the footer of the form and start with the words “Printed By.” An example might be: Printed by Fantastic Software Version 6.01

## Households with Tenant-based Vouchers in 236 and BMIR Projects

HUD policy has ruled that Section 236 and BMIR households who are the recipients of HUD PIH Section 8 Housing Choice certificates or vouchers are exempt from reporting to TRACS. No transmission of certifications for these households is or may be required. The PHA is responsible for EIV compliance for these households. This reporting exemption is only for tenant-based vouchers provided by a HUD PHA. Recipients of any other vouchers (state or local) are not exempt from TRACS reporting. See HUD Handbook 4350.3, paragraph 3-21, Applicants with Housing Choice Vouchers, for a complete discussion of the rules. In particular, 3-21.A says that, if 100% of the units receive assistance, tenants must give up a voucher when moving into the unit. See also paragraph 7.4.C regarding certification rules.

**Transitioning to the new rules:** For cases where the OA has been transmitting certifications for Section 8 voucher holders to CAs and/or TRACS, the households should be terminated so that EIV no longer reports double subsidy. Use the new OT (Other) termination code for TRACS 2.0.2.D and later. Note that the transition to these new rules should have been completed some time ago.

**Households adding and deleting vouchers:** There are cases where a tenant will move in with a Section 8 voucher and then lose it. It might also happen that they move in without a voucher and get one later. If the household moves in with a voucher, no MI cert is sent to TRACS. Should the household later lose the voucher, the OA will transmit an Initial Certification (IC) to TRACS to establish the tenant in TRACS. If the household moves in without a voucher, a normal 236 or BMIR MI cert is processed and transmitted. If the household later gains a voucher, the household is terminated.

**Excess Income Reports:** See HUD Handbook 4350.1, paragraphs 7-27 and 7-28. Chapter 9 of the former HUD Handbook 4350.3 Rev 1, Change 3 contained the following language indicating that excess income should be reported *“For each unit that does not receive Rent Supplement, RAP, or Section 8 Assistance of any type, including units in which the tenants pay market rent, the unit number, tenant name, basic rent, and tenant rental payment.”*

The rules above can create challenges for those who audit compliance with Excess Income reporting. Since voucher holders are receiving “Section 8 Assistance of any type” their rent, no matter what it is, is not included in Excess Income Report (EIR) calculations.

The challenge arises with tenants who have had certifications sent to TRACS who are then terminated or suspended pursuant to the rules. Normally a termination implies that the tenant is moving to market rent. In this case, there is no such implication and the household is not reported on the EIR so long as they have a Section 8 voucher.

## Anticipated Voucher Dates

With the release of 202C in 2009, HUD introduced changes to the “voucher date” process. This field is now labeled “anticipated voucher date”.

The Anticipated Voucher Date (AVD) associated with a certification is the site software’s estimate of date of the next voucher on which this transaction may appear based on the time the cert is created or signed. The AVD should not be confused with the rules specifying the earliest voucher on which a particular certification can appear—see MAT Guide, Appendix H 11, Voucher Creation and the associated charts. To clarify the distinction between AVD and the earliest possible voucher, consider a 1/1 AR. Under the rules, it cannot appear on any voucher earlier than 1/1. However, it could appear later. For example, if the AR is completed on October 1, the AVD will be 1/1—it can’t appear earlier than that. If the AR is completed late (on 3/1) due to extenuating circumstances, the AVD will be 4/1 because the 3/1 voucher will have already been sent.

Since the Anticipated Voucher Date is determined when the certification is created, a number of things might happen causing it to appear on a later voucher. That is why the field is named using the word Anticipated. It is the best guess at the time the certification is created but not a guarantee that it might not appear later. One common reason for its appearing later is a late transmission to a CA or a CA not including the certification on the first voucher on which it could appear.

To reiterate, the cert selection rules in Appendix H only forbid certs appearing on vouchers **earlier** than the rules specify. There is no requirement that a cert must appear on that specific voucher.

Specific examples are shown below. Since we cannot anticipate all possible scenarios, both owner/agents and CAs are asked to be flexible and use common sense when enforcing these rules. At the CA level, it would not be appropriate to hold payment on a certification because its anticipated voucher date was either wrong (the date is too early and is forbidden by the rules) or earlier or later than the CA might want. This is, after all, an “anticipated” voucher date.

CAs are free to modify an anticipated voucher date where necessary (and must do so where the date is not allowed by the rules) as long as that fact is communicated to the site so that a proper accounting reconciliation can be done for the voucher. If the specification explicitly allows a certain practice, the CA may not disagree and require something else. It is also not appropriate to adjust the voucher because the CA is aware of an upcoming change that is not reflected on the current voucher but will be reflected on a subsequent voucher. Note that owner/agents will sometimes transmit a historical cert intending to get it into TRACS if it is not there. In those cases, the Anticipated Voucher Date will be in the past and CA software should not modify it to cause it to appear on the current voucher and generate adjustments.

**Annual Certification:** An AR is always effective on the first. If everything goes perfectly, the AR will be complete at least one month before the anticipated AR date. When this is the case, the AR will appear on the appropriate voucher. For example,

* AR effective 7/1 is completed on 5/31
* Owner/agent prepares July voucher on 6/2
* The 7/1 AR will appear on the July voucher (AVD = 7/1)

**Interim Certification:** IRs may be completed in advance as well. For example, if an increase in household income causes an owner/agent to create an IR to increase rent/reduce assistance, the OA generally must provide a 30-day Notice. So, a change reported on May 2 may result in an IR effective on July 1. If the certification is complete before the July voucher is created and transmitted, then that IR will appear on the July voucher created in June.

**Initial Certification:** An IC may also be created in advance. This is not as common, but usually happens when a resident fails to comply with the AR certification requirement and assistance is terminated. If the resident suddenly decides to comply and provide necessary documentation, the OA must terminate assistance for at least one month.

So, if the anticipated AR effective date was June 1, and the resident failed to report, the OA would create a termination (TM MAT65) record effective May 31 (last day of subsidy).

If the resident reported on June 2, the earliest the OA can re-start subsidy is July 1. If the July 1 IC (MAT10) is completed before the OA creates the July voucher, the IC (MAT 10) will be included on the July voucher. Please note, that May 31 TM will also appear on the July voucher.

***Note: In this case, the Next AR Date will change to coincide with the IC effective date. Using this example, where the Next AR Date used to be June 1, now the Next AR Date will be July 1.***

Usually, IC transactions are created after-the-fact. For example, if a resident did not move out of a subsidized unit before moving in to the property, the OA would have to TM assistance using the TM-DS code. Then the OA would have to create an IC effective the day after the MO effective date for the former property.

The need for these transactions is usually discovered when the original MI is transmitted to the CA or TRACS. The OA usually does not complete the transaction until:

1) The MO Date is known and

2) The IC Effective Date is known

For example:

* Resident Moves in to The Ranch on 6/15
* Move in transaction sent with voucher to CA/TRACS on 7/5 (August voucher)
* Fatal Error is Returned to OA for Dual Subsidy (subsidy is not paid for this new resident)
* OA investigates and finds that resident did not complete the move-out process with the previous OA at The Villa until 6/30
* Previous OA at The Villa submitted MO effective 6/30
* Previous OA at The Villa transmitted the MO on 7/10 with the August voucher
* New OA at The Ranch creates a TM/DS (MAT 65) effective 6/15 (all subsidy will be reversed) TM (MAT 65) transaction can appear as early as the August voucher
* OA at The Ranch creates an IC effective July 1 (MAT 10) to reinstate assistance for the resident
* The TM (MAT 65) and the IC (MAT 10) are transmitted on 8/5 (September voucher) when the OA creates the next voucher

*Note: The CA is allowed to permit the OA to transmit certifications (the TM and IC in this example) and corrections to the voucher. CAs may accept voucher transmissions based on their own rules. Some CAs will only accept one voucher transmission per month. Some CAs will accept two or more voucher submissions.*

*CAs may not limit the number to TRACS Tenant Files transmitted in a single month. The MAT Guide (Chapter 7) encourages OAs and CAs to send certifications as they are completed.*

* Site has a January 1 mass Annual Certification date approved by HUD. Site processes a December 5 MI and immediately creates a January 1 AR. The Move-In (MI-MAT 10) must appear on the February voucher but the Annual Recertifications (AR-MAT10) is allowed to be included on the January and is put on that voucher. This is allowed under the rules. If CA software is unable to deal with this scenario it is acceptable to push the Annual Recertifications (AR-MAT10) to the February voucher so that it will appear along with the Move-In (MI-MAT 10). Sites should be transmitting certifications as they occur, in any event. The site should not hold the Move-In (MI-MAT 10) but should send it immediately.
* MAT10s with the UT flag set and effective on the voucher date (AR, IR, IC) are showing up on that voucher rather than the next voucher. This is allowed under the current rules. “Big certifications (Full certification MAT 10s) eat little certifications (Partial certifications MAT 70s) when the effective dates are the same. So, the Anticipated Voucher Date rules for MAT 10s supersede the Anticipated Voucher Date rules for other certifications.

**Gross Rent Change Certification:** Gross Rent Change transactions (GR MAT 70) change the Unit Rent and/or the Utility Allowance for a particular unit. These are usually global to the property meaning that all units’ rent or utility allowance changes happen for all units at the same time. The GR (MAT 70) may be effective on any day of the month. When a GR is effective on the first of a month, and if the GR has been properly entered by the OA before the voucher is created, the GR will appear on the appropriate voucher. If the GR Effective Date is a date other than the first day of the month, the GR will skip one voucher period. Usually, the GR Effective Date Coincides with the Contract Effective Date.

**Move-in Certification:** The rules for Move-in (MAT 10) transactions are a bit different. Owner/agents should not complete a MI certification until the resident takes possession of the unit. A MI (MAT 10) effective on July 1 should not be completed until July 1. In July, the OA is completing the August voucher so the first time the voucher will include the MI transaction will be with the August voucher. This may appear on a later voucher if the OA has not completed the MI before the voucher is created and transmitted.

**Move-out Certification:** The rules for Move-out (MAT 40) transactions are the same. Owner/agents should not complete a MO certification until the resident vacates the unit or, in the case of abandonment/skip, the owner/agent takes possession of the unit. For example, a MO (MAT 40) effective on July 1 should not be completed until July 1. In July, the OA is completing the August voucher so the first time the voucher will include the MO transaction will be with the August voucher. This may appear on a later voucher if the OA has not completed the MO before the voucher is created and transmitted.

**Unit Transfer Certification:** The rules for Unit Transfers (MAT 70) transactions are the same. Owner/agents should not complete a UT certification until the resident vacates the old unit and takes possession of the new unit. A UT (MAT 70) effective on July 1 should not be completed until July 1. In July, the OA is completing the August voucher so the first time the voucher will include the UT transaction will be on the August voucher. This may appear on a later voucher if the OA has not completed the UT before the voucher is created and transmitted.

**Termination/Suspension Certification:** Terminations/Suspensions (TM MAT 65) are the anomaly. A TM can be completed in advance since an owner/agent must usually provide a 30-day Notice before terminating assistance for a household. However, under the “Anticipated Voucher Date” rules, a TM effective on July 1 will not appear on any voucher before the August 1 voucher even if the July 1 TM is complete in June when the July voucher is created.

* In the case of a termination for failure to recertify, the decision to terminate cannot be made until the recertification date and only if there are no extenuating circumstances. For example, suppose an AR is due on 1/1, the tenant does not report before 1/1 and there are no extenuating circumstances. The Termination is effective 12/31. This can’t appear on a voucher until February. The January voucher *(created at the beginning of December in most cases)* will include the subsidy for this resident. That is the proper way to bill. All systems should reflect a change on the voucher adjustments page on the February voucher *(created at the beginning of January in most cases)*. This will return the subsidy for January for that resident.
* Contract combinations involving TM/IC pairs of certifications—the Termination (TM-MAT 65) appears on the expiring contract’s voucher and the Initial Certification (IC-MAT 10) appears on the new contract’s voucher. What do you do if the certification selection rules do not allow the Termination (TM-MAT 65) to appear on the last voucher that HUD will pay? A way to get around this limitation is to process a voucher for the month following the one that HUD will pay. Take the amount of that voucher and enter it as an OARQ Miscellaneous Accounting Request on the last voucher that will be paid. See **First and Last HAP Vouchers** above in this chapter.

|  |  |  |  |
| --- | --- | --- | --- |
| **This chart provides an example of what happens when a voucher is created.**  **The example shows the first month that a given cert may appear on the voucher.** | | | |
| **Cert Type** | **Section 8, PAC, 811 PRA Demo, PRAC** | | |
| Eff July 1 | Eff July 2-10 | Eff July 11-31 |
| **Voucher Month** | | | |
| AR | **July** assumes AR was completed when July voucher was created in June | N/A | N/A |
| IR | **July** assumes IR was completed when July voucher was created in June | **August (happens with IR/UT combination)** | **August (happens with IR/UT combination – also, this indicates that the voucher is late)** |
| IC | **July** assumes IC was completed when July voucher was created in June | **August** | **August** |
| MI | **August** | **September** | **September** |
| MO | **August** | **September** | **September** |
| UT | **August** | **September** | **September** |
| TM | **August** | **September** | **September** |
| GR | **July** assumes GR was completed when July voucher was created in June | **August** | **August** |

When a full certification (MAT 10) is effective on the same date as a partial certification (GR or UT) the rules for the full certifications (MAT 10) are applied.

## Double Subsidy

There are two approved double subsidy situations. The first is a dependent in a shared custody arrangement where the dependent moves between subsidized households on a regular basis. Both households will show the dependent on certifications at the same time. (See the explanation about Special Status Codes in Chapter 5 of this MAT Guide to see how to indicate that the child is in a joint custody arrangement). The second relates to household splits and swaps and is addressed in 4.6 above.

Beyond the approved scenarios, double subsidy is not permitted even if it is only potential double subsidy. A potential double subsidy case arises when a MI or IC is received by a CA or TRACS for a household that is active in another unit in the same or different project. “Active” means there is a current certification that has not been deactivated by either a Termination/Suspension (MAT 65) or Move-Out (MAT 40) transaction. Payment must not be made for the MI or IC until such time as a Termination/Suspension (MAT 65) or Move-Out (MAT 40) is received for the prior unit. In the case of a Split or Swap, an IR or AR is the accepted way to remove or add members and clarifies the movement of members as a result of the Split or Swap.

In double subsidy situations not involving Splits or Swaps, it is not necessary for the new owner/agent to perform a TM/DS until the actual move out date is known and the need for a TM/DS determined.

In cases involving two properties, the CA should suspend payment for both properties until such time as an Interim (MAT 10) removing the household member, a Termination/Suspension (MAT 65) or a Move-Out (MAT 40) is received for the prior unit/property. In cases of dual subsidy reflected for an entire household, it is not necessary for the new owner/agent to perform a TM/DS until the need for the TM/DS is determined and the actual move out date is known.

If there is no CA or if properties are monitored by different CAs and the CA does not identify potential dual subsidy, the MAT 10 (MI, IR, AR, IC) will be accepted by TRACS. TRACS allows this transaction so that HUD may monitor any real or potential dual subsidy situations in both TRACS and in EIV.

Examples of when this may occur include but are not limited to the following:

* There is true dual subsidy when an assisted household moves from Property 1 to Property 2 before a MO/TM effective date in Property 1. The OA for Property 2 should create and submit and TM/DS effective on the same day the MI is effective. This will reverse all subsidy paid. Then the OA should create and submit and IC effective the day after the effective date of the MO (subsidy stops) for Property 1.
* There non-compliance on the part of an OA when an assisted household moves from Property 1 to Property 2 but the OA for Property 1 does not complete a MO transaction effective on the date the OA took possession of the unit – The OA for Property 1 must submit the MO based on the actual MO date (or date OA takes possession) and not the end of the month or the end of the 30-day Notice period (unless they are the same)
* There is a TRACS error and a previous MO was not recorded correctly or was masked – The OA or CA should resubmit the MO as appropriate
* There is a TRACS error and a previous TM was not recorded correctly or was masked – The OA or CA should resubmit the TM as appropriate
* There is a TRACS error and a previous MAT 10 removing the household member was not recorded correctly – The OA or CA should resubmit the MAT 10 as appropriate

|  |  |  |  |
| --- | --- | --- | --- |
| Property 1 | | Property 2 | |
| Household Name | Smith | Household Name | Smith |
| Notice Date | 6/1 | Anticipated MI Date | 6/30 |
| Anticipated MO Date | 6/30 | Anticipated Subsidy Start Date | 7/1 |
| Date OA takes possession of unit | 6/30 | Actual MI Date | 6/30 |
| MO Effective Date | 6/30 | Actual Subsidy Start Date | 7/1 |

*Note: In the example above, it is assumed that the resident was compliant with the MO process and the OA was not required to complete the process to declare a unit abandoned.*

|  |  |  |  |
| --- | --- | --- | --- |
| Property 1 | | Property 2 | |
| Household Name | Jones | Household Name | Jones |
| Notice Date | 6/1 | Anticipated MI Date | 6/15 |
| Anticipated MO Date | 6/30 | Anticipated Subsidy Start Date | 6/16 |
| Date OA takes possession of unit | 6/15 | Actual MI Date | 6/15 |
| MO Effective Date | 6/15 | Actual Subsidy Start Date | 6/16 |

*Note: In the example above, the resident did not fulfill the 30-day Notice requirement. However, it is assumed that the resident was compliant with the MO process (emptied the unit, returned keys, etc.) and the OA was not required to complete the process to declare a unit abandoned.*

|  |  |  |  |
| --- | --- | --- | --- |
| Property 1 | | Property 2 | |
| Household Name | Clark | Household Name | Clark |
| Notice Date | 6/1 | Anticipated MI Date | 6/15 |
| Anticipated MO Date | 6/30 | Anticipated Subsidy Start Date | 7/1 |
| Date OA takes possession of unit | 6/30 *tenant skips on 6/27 – OA files 72-hour abandonment notice and takes possession of unit on 6/30* | Actual MI Date | 6/15 |
| MO Effective Date | 6/30 | Actual Subsidy Start Date | 7/1 |

See **Section 4.3** above for a discussion of the rules concerning Move-Out (MAT 40) and Move-In (MAT 10) effective dates. The key rule is that the presence or absence of a tenant Notice to Vacate is completely irrelevant in determining a Move-Out (MAT 40) effective date. When it is known, the actual move-out date controls. If the tenant skips, the Move-Out (MAT 40) effective date is the date the owner/agent takes possession of the unit. The actual Move-Out (MAT 40) effective date may be before the end of any notice period or it may be after the end of the notice period.

If a CA is involved in adjudicating between sites in double subsidy situations, the only relevant determination is the Move-Out (MAT 40) Effective Date. Whether or not the new owner/agent exercised due diligence is immaterial. In particular, it is important to remember that, if a resident moves out without a thirty-day notice or before the move-out date indicated on the thirty-day notice, the former owner/agent has no right to subsidy through the end of a notice period even when notice is given. Owner/agents should refer to the HUD Model Lease, House Rules and local tenant/landlord law when deciding whether to retain/forfeit the security deposit or whether the resident can be charged market rent after move-out.

## Completing the HUD 50059-A

HUD Form 50059-A must be completed for Terminations/Suspensions (TM), Move-outs (MO), Gross Rent Changes (GR) and Unit Transfers (UT). The owner/agent must sign the 50059-A. A copy of the 50059-A must be maintained in the resident file and a copy must be provided to the resident. The HOH is required to sign the 50059-A in some cases as instructed in MAT Guide, Chapter 7, Paragraph 7-8.

The HOH may, but is not required to, sign the Move-Out (MAT 40) or Termination/Suspension (MAT 65) certification.

The HOH is required to sign the Gross Rent (GR-MAT70) certification (50059A) if the Tenant Rent goes up or down or if such signature is required by state law. The owner/agent may send the Gross Rent (GR-MAT70) certification before obtaining the HOH signature. However, all required HOH signatures must be collected within 60 days of the GR voucher date.

If the GR is effective on the same date as a MAT 10 record (MI, IC, AR, IR) that has already been signed and submitted to HUD or the CA, site software will generate a correction to the MAT 10. In this case, when the rent or UA is the only value that changed, the owner/agent may send the corrected MAT 10 certification before obtaining signatures for all adult household members. However, all required signatures must be collected within 60 days of the GR voucher date. If the Tenant Rent changes (up or down) all adult household members must sign the corrected MAT 10 within 60 days of the GR voucher date. If the Tenant Rent remains the same, all adult household members are required to sign the MAT 10 correction certification only if required by state law.

The HOH is required to sign the Unit Transfer (UT-MAT 70) certification.

Signature dates may be before the effective date of the certification. There are no requirements for signature dates and certification effective dates to be the same. Computer generated signature dates are generally not acceptable. The signature date must be the date the adult household member signed the certification.

Only fill the fields in the block on the form corresponding to the action being reported. For example, for a Move-Out (MAT 40) transaction, do not fill the fields related to Terminations/Suspensions (MAT 65), or UT/GRs (MAT 70).

## Abatements

An abatement, as a technical term, means that subsidy may not be paid on a unit for the term of the abatement. Only HUD has the authority to abate a unit. CAs might hold a subsidy payment but they may not abate subsidy.

Abatements are usually thought of in relation to uninhabitable units related to a disaster or where a unit has health and safety issues. However, abatements can also be put in place for program violations. This means that a tenant can be living in a unit and paying a subsidized rent but the owner/agent is not allowed to collect subsidy. For voucher purposes, the unit would count as abated. Until such time as we have policy clarification on precisely how to handle cases such as these in terms of transactions and how they should appear on the voucher, it is acceptable for an OA to bill for subsidy as usual and then to reverse the subsidy billing with an OARQ Miscellaneous Accounting Request. However, if possible, the site software should allow the OA to indicate that the unit is “abated” and subsidy billing should be suspended.

## Presidentially Declared Disasters

Note that it is essential that the OA understand the lease rules for a person subject to the rules in HUD Handbook 4350.1, Chapter 38. Requiring a victim of a presidentially declared disaster to sign a lease may disqualify the victim from eligibility for FEMA assistance. The rules in this area are in flux and it is best to check with HUD before proceeding. If a victim of a presidentially declared disaster (PDD) is being added to an existing subsidized household, they should be asked to sign a lease addendum indicating month-to-month occupancy. They should not be added to the regular lease. See HH 4350.1, Chapter 38 for additional information and for a sample lease addendum.

In the case of a disaster or other situation where the unit is uninhabitable and there are no other units in the project for the household, there are two situations to be aware of:

1. The household moves to a subsidized unit in another project.
2. The household moves to an unassisted unit.

In the first case, you would suspend assistance for the uninhabitable unit so that assistance can be paid in the new unit. The Termination/Suspension transaction would use the ND (natural disaster) Suspension Code. When the household returns to the unit, submit an Initial Certification indicating that an eligibility check is not required. The certification adding the household or member to the new project would indicate the temporary residency status by setting the P special status code for each applicable member.

In the second case, passthrough has been approved and the amount of the assistance is given to the tenant to help with the unassisted rent. Here no termination is done. The tenant continues to appear on the HAP voucher.

When the resident is expected to return, a Move-out should never be submitted in response to the circumstances described above—only a Suspension using the Termination/Suspension record.

## Policies and Procedures for the Conversion of Efficiency Units to One-Bedroom Units

Notice [H 2011-03 is entitled Policies and Procedures for the Conversion of Efficiency Units to One-Bedroom Units.](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg/11hsgnotices) Paragraph D.5 says:

*“The proposed conversion must only involve units of the same subsidy type. For example, a Section 236 project with a Section 8 contract covering 50 percent of the units may only convert Section 8 units to Section 8 units and Section 236 units to Section 236 units.”*

This language does not recognize the fact that, in many cases, subsidy can float from unit to unit, and, even when it can’t, a Section 8 tenant can be terminated from the Section 8 program and certified under the 236 program.

In any case, care should be taken in these situations with respect to unit numbering. It would be best for both CA software and TRACS (and probably also for site software) if site software did not reuse TRACS Unit Numbers for the converted units. Changing unit floor plans (unit types) can create challenges when creating retroactive Gross Rent Changes and the like. Best practice would be to assign a new TRACS Unit Number to the converted unit. The Unit Number on the door of the unit can, of course, be reused. If an in-place tenant is moved to the new unit, a simple Unit Transfer (UT-MAT 70) is all that is required.

## Rent Overrides

The Rent Override is not be set when calculated TTP is the same as the TTP Before Override.

*Note: Previous versions of this paragraph indicated that the Override Flag was to be used when forcing a PRAC tenant to operating rent while pursuing eviction for failure to recertify. HUD has since determined that the rent should not be changed in those situations. Therefore, the override should not be done. Software vendors who have implemented that process must remove it for their 2.0.3.A release.*

The Rent Override flag will be set whenever

* There are multiple funding programs that apply to a single household. Generally, the rule is that the tenant should be charged the lower of the two rents
* A S8 RAD C1 tenant, whose assistance is zero or negative, pays a rent based on LIHTC rules and not the normal HUD rent calculation.
* At conversion, a S8 RAD C1 tenant’s calculated TTP is higher than the TTP on the most recent 50058 submitted before conversion to RAD.
* A S8 RAD C1 tenant qualifies for Rent Phase-in.
* A Plan of Action contract is using non-standard rent calculations.
* A 236 or BMIR tenant in an LIHTC building pays the lower LIHTC rent rather than the 236 or BMIR rent.

**Multiple Forms of Subsidy:** See 4350.3 paragraph 5-30 entitled “Determining Tenant Contribution at Properties with Multiple Forms of Subsidy” for the handbook guidance in dealing with situations where multiple funding programs apply to a single household. Generally, the rule is that the tenant should be charged the lower of the two rents—the benefit goes to the tenant. When the HUD rent is overridden and the lower rent submitted to TRACS or a CA, the result is typically a large number of calculation error messages.

In 2.0.2.D, a rent override flag is being added (MAT10, Section 2, Field 61 and MAT70, Field 26) to the certification to indicate situations when the HUD calculations are being ignored or modified.

In addition, a TTP Before Override field has been added to the MAT10, Section 2 record (Field 102) and the MAT70 Record (Field 31). Whenever TTP is being overridden, the regular value of the TTP (before override) is to be reported in this field.

**Note:** a noncitizen rule proration of TTP or a Section 8 minimum TTP calculation is not considered an override for the purposes of the TTP Before Override field and the Rent Override flag would not be set in these cases. However, a Plan of Action (POA) rent calculation that causes TTP to be different than TTP as normally calculated is an override situation.

When an override is indicated, CA and TRACS software may continue to generate calculation error messages. However, there will be no requirement to correct those errors as would normally be the case. There is nothing to correct. Of course, it is expected that the use of the Override Flag would be the subject of attention during Management & Occupancy Reviews (MOR). This means that CA software that currently treats calculation errors as equivalent to a fatal error, may not do so when a Rent Override is indicated unless other calculations are incorrect.

CA software providers are encouraged to store information about override situations so that they can issue more targeted error messages or so that voucher staff can determine quickly when an override of normal errors is appropriate.

**Rent Overrides for the S8 RAD C1 Program**

The Conversion IC: When creating a S8 RAD C1 Conversion IC, the TTP must be equal to or less than the most recent 50058 submitted prior to conversion to RAD.

When the calculated TTP is less than the TTP on the most recent 50058 submitted prior to conversion to RAD, no special action is necessary. The Rent Override flag is NOT set.

When the calculated TTP is greater than the TTP on the most recent 50058 submitted prior to conversion to RAD, the Rent Override flag is set. The TTP Before Override field must be filled with the calculated TTP.

Rent Phase In: When the Conversion IC calculated TTP is greater than the TTP on the most recent 50058 submitted prior to conversion to RAD, the Rent Override flag is set. At this point, the owner/agent must determine if Rent Phase-in applies (calculated rent is the greater of 10% or $25 more than TTP on the most recent 50058 submitted prior to conversion to RAD). When Rent Phase-in applies, the Rent Override flag is set. The TTP Before Override field must be filled with the calculated TTP. The owner/agent must provide correct values for the TTP at RAD Conversion which is the TTP on the most recent 50058 submitted prior to conversion to RAD.

**Rent Calculations when Tax Credits (LIHTC) are combined with RAD:**

S8 RAD C1: When the tenant’s assistance is greater than zero, the S8 RAD C1 rent calculation is used. However, if the tenant assistance is zero or negative, the tenant pays the lesser of the RAD rent or the maximum allowable rent under the tax credit rules. See the new example on the RAD tab of the CalculatingTenantRent spreadsheet. If paying the lower LIHTC rent causes the assistance calculation to be positive, the assistance is lowered to zero. Otherwise the zero or negative assistance stays as calculated.

*Note: This rule applies no matter which version of the RAD notice was in effect at the time of the RAD closing or conversion.*

RAD C2: When the tenant is terminated (assistance is 0 or less), the OA may charge the LIHTC rent if it is greater than contract rent. However, if the maximum allowable rent under the tax credit rules is less than the S8 contract rent, the LIHTC rent must be charged.

***Note: For Rent Overrides involving the Rent Phase-in rules under RAD—See Paragraph 4.40.3 Below. Certifications where rent is being phased-in are treated as rent override situations.***

## Recertification (Annual Certification) Notices

Per a clarification from policy, Annual Certification Notices must be printed and dated no later than 120, 90 or 60 days in advance of the Recertification Date. There is no requirement to date the notices exactly on the 120th, 90th or 60th day or on the first of the month.

There are cases where printing on the first of the month would violate the rules so it is important to base decisions about when to print the notices on a count of the number of days prior to the Next Annual Certification Effective date.

Per HH 4350.3 Paragraph 7-8, owner/agents may not terminate assistance unless all AR reminder notices have been provided to the tenant. The 60-Day Reminder Notice informs the tenant that assistance will be terminated unless the tenant complies with reporting requirements which include meeting with the owner/agents and providing all required information/documents.

See Paragraph 15 of HUD Model Lease 90105A

See Paragraphs 9 and 21 of HUD Model Lease 90105B

See Paragraph 8 of HUD Model Lease 90105C and 90105D

In addition, assuming that the AR is available for signature, the tenant may cause a certification to be late if the tenant fails to sign the AR before the anticipated AR effective date.

AR notices should be issued to tenants until the AR is complete and ready for transmission to HUD or the CA. An owner/agent may not increase a tenant’s rent without notice as required in HUD guidance.

Please note that certain exceptions apply when the owner/agent is granting a reasonable accommodation or when there are extenuating circumstances.

## Missing Historical Data

As a result of software changes or other causes, it is sometimes the case that either a site or a CA does not have a complete historical record of transactions to support processing of new retroactive certifications and the creation of correct adjustments. The question has been, “What are the requirements when historical transactions are missing?” Policy has determined that, in such cases, all historical certifications relevant to the correct processing of retroactive transactions must be recreated where they are missing and transmitted to the CA or TRACS if they have not previously been transmitted.

It is extremely important for OAs to add missing historical data properly. First, the original certification must be entered **without change**. Be sure to enter the original certification with its **original voucher date**. Entering the current voucher date will cause major problems with the voucher. Second, the correction certification is added for the current voucher. Software can only produce a correct HAP voucher with correct adjustments if it has both the original and corrected certification available. There is typically no need to transmit the original certification as that should have been sent and billed for in the past.

When sending historical certifications to a CA or TRACS, if there is any doubt if they have been transmitted previously, it is best to create the certifications as corrections to avoid having them fatal as duplicates.

It should be noted that the new Historical Baseline specification (see **Appendix J**) will help eliminate such cases going forward. A site reporting to a new CA will be able to send the CA a 5-year history of transactions. A CA will be able to help a site by sending the site a history baseline as well if it is needed to replace data lost through error or disaster.

## Utility Reimbursements and Move Out Adjustments

HUD rules in the MAT Guide, Chapter 7, 7-13.B say “If the utility reimbursement is not disbursed to the tenant or utility provider (e.g., tenant never picks up the check, tenant never cashes the check or tenant moves-out), the funds must be returned to HUD.”

When considering the accounting impact of these situations it is important to remember that a move-out adjustment for a unit with a negative rent will automatically return some of the utility reimbursement to HUD.  Because of this, the owner must return to HUD the difference between the original utility reimbursement and the amount automatically returned to HUD, by using the UUTL Miscellaneous Accounting Request Code on the voucher.

If the utility reimbursement has been disbursed (check has been cashed) and if the former resident does not return the prorated portion of the Utility Reimbursement, the owner/agent is permitted to deduct the prorated utility reimbursement from the Security Deposit~~.~~  Following the requirements in paragraph 6-18 of HUD handbook 4350.3 REV-1, the security deposit disposition letter must provide the tenant with an itemized list of amounts withheld from the security deposit.  If the security deposit is insufficient to cover the money owned, the owner must obtain the prorated utility reimbursement from the tenant and must not request this money from HUD through a Miscellaneous Accounting Request Code or other method.

## Special Claims Involving PRACs

The Special Claims forms used to refer to the use of Contract Rent for non-PRAC situations and to Operating Rent for PRACs. The Handbook defines Operating Rent as Contract Rent plus Utility Allowance. The three forms updated for 2.0.3.A revise the instructions on how to fill fields that used to refer to operating rent. “For PRAC projects, if the tenant pays utilities separately, the contract rent is the operating rent (operating cost) minus the HUD-approved utility allowances. If all utilities are included in the rent, the contract rent is the operating rent.” The forms are also applicable to the 811 PRA Demo program. See **203AHUD52671A.docx, 203AHUD52671B.docx and 203AHUD52671C.docx**.

## Unit Numbers

In all cases, save one, throughout the MAT Guide all fields intended to be filled with a Unit Number must be filled with what has come to be known as a TRACS Unit Number. A TRACS Unit Number is required to be unique in the project. This concept is needed because unit numbers in use at properties may not be globally unique. There may be buildings that use numbers that are also used in other buildings. The exception to this rule can be found in the MAT15 record, where there is a field called Actual Unit Number that is used in History Baseline files and is intended to hold the Actual Unit Number in use at the project. Actual Unit Numbers are not required to be unique in the project.

## Financial Management Center and CA Advice

Both the HUD FMC and CA staff are in the unique position of having a high-level view of and extensive experience with common problems. Unfortunately, their wisdom and experience is not available in one place. This section of Chapter 4 is intended to remedy that situation by offering tips and suggestions from them. As new material is received, this section will be updated.

**From the FMC:** “The owners/agents are not ‘verifying their transmissions’ and wonder why the compliance has dropped which has nothing to do with the software.” Many owner/agents are not aware that they can view information that has been received by HUD through Secure Systems/TRACS. It is required that owner/agents monitor TRACS transmissions to ensure that they are recorded correctly and it is required that owner/agents address TRACS discrepancies. This is monitored at the MOR (See HUD Form 9834). Regularly going into the WASS/TRACS system and checking the TRACS Voucher and Certification queries ensures that problems are addressed quickly and reduces the risk of delayed voucher payments.

## The Meaning of F, M and MOC for Fields in the MAT Guide Note Column

**F (Future)** is used for a field that has been defined but not yet implemented by the industry or by TRACS. If a MAT file containing data in a future field is processed by TRACS, TRACS ignores the data in the field and stores nothing. There have been cases where the industry has implemented future fields ahead of TRACS. One example is the site and CA software use of the Anticipated Children fields in the MAT10, Section 2 record—Fields 80-81-82—years ahead of a TRACS implementation. In this instance, the F designation was removed from the fields. Private use of F fields for “off label” purposes is strongly discouraged. F fields must be filled with the appropriate null value for the field type. Note: Future fields may contain either blanks or the proper default null value for the field type as TRACS overwrites any future fields with default values.

**M (Mandatory)** refers to a field that is required to be filled with a value other than spaces or 0s. The meaning of Mandatory is often misunderstood in relation to fields that are not listed as M. The MAT Guide generally uses M to designate a field that must be filled because of the way the TRACS database works. **A field not designated as M (a field with nothing in the Note Column) is also mandatory in the sense that it must be filled with data if the field applies to the certification being created.** So, M has a technical, not a common sense, meaning in the MAT Guide. **All fields are required to be filled except for MOC fields in some cases or where the field description says that it should only be filled in certain situations.**

**M\* Mandatory** (but allows zero as a numeric value)

**MOC (Mandatory on Condition)** is a designation that means that a field must be filled if a specified condition is true but is to be filled with spaces or 0s in other cases. The field description will describe the situations under which the field must have a non-null value.

## Section 8 Sub-Types REVISE if a S8 Sub-Type field is added to the MAT for the Final Spec

Section 8, unlike other HUD MF subsidy types, is not a monolithic program.  There are different sub-types (kinds/types) of Section 8. The traditional four Section 8 sub-types are New Construction, Substantial Rehabilitation, Property Disposition Set-Aside (PDSA) and Loan Management Set-Aside (LMSA). The 4350.3 (Figure 1-1) also includes State Agency, Section 202/8, RHS Section 515/8 and Pension Fund (PF). With TRACS 2.0.2.D, two new sub-types for Section 8 are being added: RAD and SPRAC.  HUD uses the subtypes for Project Section internally to track Section 8 sub-types of subsidy; consequently, the sub-types are not reported either on the 50059, the 50059-A or the HAP Voucher.

## Annual Certifications (New)

The following summary is provided so that owner/agent and CAs understand when subsidy should be provided. There are many variables that may affect the timeliness of completion of the AR. We will provide four common situations in an attempt to show when and what type of certifications are required.

1. Example 1 – Perfect World
2. Example 2 – After Cutoff and before Effective Date
3. Example 3 – Reports After Effective Date
4. Example 4 – Extenuating Circumstances

This is in an attempt to ensure consistency for all residents.

Please note that **Example 2 and Example 3** are examples of delays caused by the resident.

When **delays are caused by the owner/agent,** the AR date does not change. When creating the voucher for the 16th month (or earlier) the owner/agent must submit either the AR, or a TM or a MO *(effective before the anticipated AR date)*.

In cases of delays caused by the owner/agent, if Tenant Rent increases, the resident is entitled to a 30-day notice of rent increase and the owner/agent may not require the resident to pay the new rent until the first of the month after the thirty-days.

In order to continue to receive housing assistance, residents are required to report income information at least once, every year.

Residents are given 12 months, from the first of the Effective Date month of the last MI/IC or the last AR, to meet with the property staff and provide the documentation necessary to determine the assistance payment for the upcoming year. The Annual Certification Process is described in HH 4350.3 R1, C4, Paragraphs 7-6 and 7-7. Figure 7-3 provides a list of steps.

Please note that some properties have requested and been given permission to conduct all Annual Certifications at the same time. This may be true for an entire contract or for specific units/buildings within a property.

Residents are advised of their requirement to report at Move-in/IC and at each AR when they receive the **Initial Notice of Certification**.

At least 120 days prior to the anticipated AR Effective Date, owner/agents are required to provide residents with the First Reminder Notice.

If the resident **has not completed** the certification, a Second Reminder Notice should be sent at least 90 days before the anticipated AR Effective Date.

If the resident **has not completed** the certification, a Third Reminder Notice should be sent at least 60 days before the anticipated AR Effective Date. This is the first time the owner/agent reminds the residents that their assistance will be terminated if they do not comply. See HUD’s 60-day Reminder Notice.

Usually site software is used to produce these reminder notices. Copies of all notices must be included in the resident file.

**Example 1:** When a resident reports in a timely manner, all of their information is received no later than the 10th day of the 11th month of the certification cycle. The owner/agent should have plenty of time to prepare the AR and create the Initial Notice for the next year. The owner/agent will also have time to create the 30-day notice of rent increase if necessary. All adult household members must sign and date the certification and the owner/agent must sign and date the certification before it is transmitted to the CA or HUD. Signature dates do not have to match. See the example below:

**Example 1: Using March 1 as the AR effective date**

**Resident Reports in a Timely Manner – No Extenuating Circumstances (Perfect World)**

|  |  |  |
| --- | --- | --- |
| **Date** | **Milestone** | **Tasks** |
| March 1 | Beginning of Certification Cycle | Certification is complete, signed and dated. OA provides Initial Notice. |
| April, May, June, July, August, September, October – no required action | | |
| November 1 | 120-Day Reminder Notice | It is good *(but not required)* if this reminder notice includes an AR Questionnaire and a list of documents necessary to complete the AR. Meet with residents, review EIV reports and verify information |
| December 1 | 90-Day Reminder Notice | If certification is not complete and signed, send second reminder notice. Meet with residents, review EIV reports and verify information |
| December 10 | Resident Meets with Property Manager & provides required information | Owner/agent successfully verifies information |
| January 1 | 60-Day Reminder Notice | If certification is not complete and signed, send third reminder notice. |
| January 10 | *Cutoff Date* | All documentation has been submitted and verified |
| January 29 | Determine new rent and send notice | If rent increase, send a 30-day notice.  *Note:* *Should the owner/agent fail to complete the verification process in time to give the tenant a 30-day advance notice of a rent increase, the tenant will not be required to pay the increased rent until the 30-day rent increase notice period has expired.  The HAP change and the AR will be effective on the recertification anniversary date.* |
| January 30 | Resident(s) signs 50059 | Certification is complete, signed and dated. OA provides Initial Notice. |
| February 10 | March voucher is due. | AR is transmitted and the new AP is reflected on the March voucher.  *Note: The AR may be transmitted at any time after it is complete but it must be transmitted before the new AP appears on the March voucher.* |

If the certification is complete, but all adult household members have not signed by the anticipated effective date (delay caused by the resident), the certification is late and the household is subject to termination as long as all AR notices have been provided to the tenant. See HUD’s Handbook Questions and Answers document which can be found on HUD’s RHIIP web site.

*107. Question: Chapter 7, Paragraph 7-6 B states that "owners and tenants must complete the applicable steps listed in Chapter 7, Figure 7-3 for an annual recertification to be timely." Would a tenant cause a recertification to be late if he/she failed to provide required signatures on the HUD-50059 (step 8) by the recertification anniversary date?*

*Answer: Yes. A tenant would have caused a certification to be late if he/she failed to provide required signatures on the HUD-50059 by the recertification anniversary date.*

OAs may not terminate subsidy if the resident completes the certification, including providing tenant signatures, before the anticipated effective date of the new certification. The exception is when the assistance payment calculation results in zero AP.

*Note: HUD does not have set rules regarding signature dates in this situation. Owner/agents should develop a policy to ensure consistency.*

*For example, an owner/agent may want to establish a policy that specifies that adult household members will have until the later of the anticipated AR date or ten (10) business days from the date the resident is notified that a certification is ready for signature, to sign the certification or face termination of assistance. In the scenario above, if the certification is completed by the OA no less than 10 days before the anticipated effective date of the AR, then the resident should have ample time to sign the certification before the effective date.*

**Example 2: Delays In Processing Due To Late Tenant Response**

The AR process starts getting tricky when residents do not respond in a timely manner. When reviewing HH 4350.3 R1, C4, Paragraph 7-8, HUD provides the following instruction:

*a. This situation can occur as follows:*

1. *The owner provides all three certification reminder notices in accordance with HUD requirements; and*
2. *The tenant reports for the certification interview and provides information and signatures after the cutoff date (i.e., after the 10th day of the 11th month following the last annual certification), but before the certification anniversary date.*

*b. The owner processes the annual certification.*

1. *Changes in the TTP/tenant rent and assistance payment take effect on the certification anniversary date.*
2. *As established in the Model Lease, the third reminder notice fulfills the requirement for a 30-day notice of rent increase effective on the anniversary date.*

*c.  In all cases where the tenant reports for certification after the 10th day of the 11th month after the last annual certification but before the certification anniversary date (as described in subparagraph D-2 a above), all adjustments in assistance payments and the tenant’s rent are made retroactive to the certification anniversary date.*

HUD also provides owner/agents with additional time to process the certification in this situation. See HH 4350.3 R1, C4 Paragraph 7-6.

***7-6         Overview of Annual Recertification Procedures***

*It is the owner’s responsibility to process all recertifications in a timely manner.  HUD Headquarters will terminate a certification if a new recertification is not submitted within 15 months of the previous year’s recertification anniversary date.*

*HUD has instructed Contract Administrators to terminate assistance payments to an owner if a new annual recertification has not been completed and submitted through TRACS within 15 months after the previous year’s anniversary date.*

*Owners must repay, by making an adjustment to the voucher, the assistance collected for the 3-month period from the date the annual recertification should have been effective through the end of the 15th month when assistance was terminated.  Once the new certification is processed, owners must follow the guidance in paragraph 7-8 for determining the effective date for changes in the TTP, tenant rent and assistance payment when the recertification is delayed.*

1. *Owners and tenants must complete the applicable steps listed in Figure 7-3.*
2. *Owners must maintain a tracking system to facilitate timely completion of recertifications.*
3. *To enable owners to give the tenant the required 30-day advance notice of any increase in the TTP or tenant rent, Steps 1 through 6 in Figure 7-3 should be completed at least 35 days before the recertification anniversary date.*

If TRACS receives no submission for that household, TRACS will create an HQ Termination 90 days after the anticipated effective date of the AR. If the AR is complete, the new rent/new assistance payment is effective on the original anticipated AR date.

Below is an example of a resident who reports after the 10th day of the 11th month but before the certification effective date.

**Example 2: Using March 1 as the AR effective date**

**Resident Reports after Cutoff Date, but Before AR Anniversary Date**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Milestone** | | **Tasks** |
| March 1 | Beginning of Certification Cycle | | Certification is complete, signed and dated. OA provides Initial Notice. |
| April, May, June, July, August, September, October – no required action | | | |
| November 1 | 120-Day Reminder Notice | | Resident does not respond, or has not provided necessary documents/signatures |
| December 1 | 90-Day Reminder Notice | | Resident does not respond, or has not provided necessary documents/signatures |
| January 1 | 60-Day Reminder Notice | | Resident does not respond, or has not provided necessary documents/signatures |
| January 10 | ***Cutoff Date*** | | Deadline for meeting and all information to be submitted. Resident does not respond, or has not provided necessary documents/signatures |
| February 10 | March voucher is due. March is 13th month | | In this example, residents have not provided property staff with all necessary information.  Include previous AP amount on voucher. |
| February 15 | Resident provides all documentation to complete the cert and OA is now required to verify. Certification cannot be complete by 2/28.  OA should process the certification as quickly as possible, but has until the 16th month voucher is submitted to complete the certification process. By the 16th month, the OA must submit an AR, TM *(when AP=$0.00 except for PRAC & S8 RAD C1*), or MO to HUD. OA should be able to complete cert before 5/10 (when June voucher is transmitted – June is the 16th month) | | |
| **February 28** | **Generally, cert must be complete and signed by all household members. As long as all household members met with the OA and provided required documentation, OA may continue to process the certification.** | | |
| March 1 | This is month 13 | | |
| March 10 | April voucher is due. Billing for month 14 | If possible, complete cert; cert will be included on April voucher if it was not included on the March voucher. If new AR will be included on April voucher check adjustments to make sure subsidy for March was adjusted to reflect the correct AP. If AR is not complete and signed, bill for previous amount | |
| April 1 | This is month 14 | | |
| April 10 | May voucher is due. Billing for month 15  Certification is complete and signed and included on May voucher | AR signed by adult household members. Check voucher adjustments back to 3/1. OA provides initial notice. If Tenant Rent (TR) changes, new amount is retroactive to 3/1 as long as 60-day Reminder Notice was provided. If OA sent 60-day reminder notice, resident is not entitled to 30-day Notice if TR increases. | |

**Example 3: Failure to Recertify in a Timely Manner – No Extenuating Circumstances**

Technically, a resident has until the day prior to the anticipated AR Effective Date to provide the owner/agent with the required information. See Paragraph 7-8 of HH 4350.3 below:

*Tenant responds after recertification anniversary date.  Tenant is out of compliance.*

*a. This situation occurs when:*

1. *The owner provides all three recertification reminder notices per HUD requirements; and*
2. *The tenant reports for the recertification interview on or after the recertification anniversary date.*

*b. On the recertification anniversary date, the tenant must begin paying the market rent.*

***NOTE:*** *In a Section 202 PRAC or Section 811 PRAC project the tenant will be evicted for failing to comply with the recertification requirements.  The tenant will pay the greater of operating rent or 30% of income until eviction procedures are completed.*

***NOTE:*** *In a Section 236 project, the tenant must pay the Section 236 market rent. In a BMIR project, the tenant must pay the BMIR market rent.*

*c. Assistance should be reinstated if:*

1. *Assistance is available at the property;*
2. *The tenant submits the required information; and*
3. *The owner determines that the tenant qualifies for assistance.*

*d.  The new TTP/tenant rent and assistance payment take effect the first day of the month following the date on which the tenant reported for the certification.  The tenant must pay the market rent until this date.  If the tenant fails to report for the recertification interview and fails to pay market rent, or make arrangements to pay, the owner is obligated to evict for nonpayment.*

**Example 3: Using March 1 as the AR effective date**

**Resident Responds on or After AR Anniversary Date – No Extenuating Circumstance**

|  |  |  |
| --- | --- | --- |
| **Date** | **Milestone** | **Tasks** |
| March 1 | Beginning of Certification Cycle | Certification is complete, signed and dated. OA provides Initial Notice. |
| April, May, June, July, August, September, October – no required action | | |
| November 1 | 120-Day Reminder Notice | Resident does not respond, or has not provided necessary documents (and signatures as applicable) |
| December 1 | 90-Day Reminder Notice | Resident does not respond, or has not provided necessary documents (and signatures as applicable) |
| January 1 | 60-Day Reminder Notice | Resident does not respond, or has not provided necessary documents (and signatures as applicable) |
| January 10 | Cutoff Date | Deadline for meeting and all information to be submitted. Resident does not respond, or has not provided necessary documents (and signatures as applicable) |
| February 10 | March voucher is due. | Resident does not respond, or has not provided necessary documents/signatures – No Extenuating Circumstances |
| **February 28** | **Under most circumstances, if household members fail to meet and provide required information and signatures by this date, household assistance MUST be terminated unless there are extenuating circumstances. Different rules apply if resident reported after the 10th day of the 11th month but before the AR anniversary date or if extenuating circumstances exist.** | |
| March 1 | Complete TM transaction effective 2/28. Tenant Rent is calculated with $0.00 assistance. Resident must pay market rent. If resident does not pay market rent and if resident does not report for certification, OA must terminate tenancy.  If this is a PRAC property, The OA must begin process to terminate tenancy. | |
| March 10 | April voucher is due. | In this case, do not bill for subsidy for this resident. If household did not report, OA MUST Terminate effective 2/28 (see Note about PRAC above). Send TM.  Check voucher to make sure adjustments return subsidy for March. |
| March 15 | Residents report for certification. | If resident reports, complete Initial Certification effective April 1, and send notice of requirement to sign. Resident signs and OA provides initial notice. Next AR Date is April 1. See HH 4350.3 R1, Paragraph 7-8 |
| April 10 | May voucher is due. | IC will be included on May voucher.  Check voucher adjustments to make sure subsidy was adjusted to reflect correct AP starting 4/1 |

**Example 4: Extenuating Circumstances**

While failure to report for the AR meeting appears to be a clear case of non-compliance, HUD requires owner/agents to determine the facts surrounding a resident’s failure to respond. If a resident fails to participate in the AR process, the OA must ask the resident if there are extenuating circumstances preventing completion of the certification. See HH 4350.3 R1, C4, Paragraph 7-8.

*Extenuating circumstances when tenant is out of compliance.  When a tenant fails to provide the required recertification information by the recertification anniversary date, an owner* ***must*** *inquire whether extenuating circumstances prevented the tenant from responding prior to the anniversary date.*

*If the tenant is a person with disabilities, the owner must consider extenuating circumstances when this would be required as a matter of reasonable accommodation.*

*a.  Extenuating circumstances.  These are circumstances beyond the tenant’s control.  Examples of extenuating circumstances include, but are not limited to:*

1. *Hospitalization of the tenant.*
2. *Tenant out of town for a family emergency (such as the death or severe illness of a close family member).*
3. *Tenant on military duty overseas.*

*b.  Inquiring about extenuating circumstances.*

1. *At the time the tenant submits the required recertification information, the owner must inquire whether extenuating circumstances prevented the tenant from submitting the information prior to the recertification anniversary date.*
2. *If the tenant indicates that extenuating circumstances were present, the tenant must promptly provide the owner with evidence of their presence.*

*c. Determining whether extenuating circumstances were present.  When a tenant provides evidence of extenuating circumstances, the owner must determine whether the information provided shows that the circumstances meet the condition described above in subparagraph a.*

*d.  Notice of decision.  The owner must provide the tenant with a written notice of the decision.  The notice must also inform the tenant of his/her right to appeal the owner’s decision if the owner determines that extenuating circumstances were not present.*

*e.  Appeal to the owner.  If the owner denies extenuating circumstances, he or she must provide the tenant with an opportunity, within 10 days of notification, to meet with the owner or designated representative to appeal the decision to raise the tenant rent to market rent.  The owner has an obligation to arrange for a person, who was not part of the original determination, to conduct the appeal meeting.  The tenant may have representation at the meeting, may present information for consideration, and may respond to the information presented by others.*

*f.  Extenuating circumstances NOT present.  If the owner determines that extenuating circumstances were not present, follow the procedures in subparagraph D.3 above for completing processing of the tenant’s information, determining whether assistance can be reinstated, and establishing effective dates.*

*5.   Effective date of TTP/tenant rent, assistance, recertification anniversary when extenuating circumstances were present.  If the owner determines that extenuating circumstances were present:*

*a.  There is no change in the recertification anniversary date; and*

*b.  The TTP/tenant rent and the assistance payments determined based on the recertification information provided by the tenant are effective retroactively to the recertification anniversary date.*

**Extenuating Circumstances Code (Formerly Tenant Unable to Sign Indicator)**

For years, owner/agents have had permission to submit certifications without resident signatures if certain extenuating circumstances exist.

***Note: This is not the same as refusal to sign****.*

If there is a situation when the resident is unable to sign, as in the case of a resident who has been hospitalized and/or is in rehab or when a member of the household is enlisted in the military and has been deployed to active duty overseas, the certification can be submitted provisionally with the Extenuating Circumstances Code in lieu of a resident signature. It is important that owner/agents follow HUD guidance when documenting the tenant file. HH 4350.3 R1, C4, provides the following instruction:

*“… The owner may consider extenuating circumstances when an adult family member is not available to sign the HUD-50059, for example, an adult serving in the military, students away at college, adults who are hospitalized for an extended period of time, or a family member who is permanently confined to a nursing home or hospital. In these instances, the owner must document the file why the signature(s) was not obtained and, if applicable, when the signature(s) will be obtained. The owner must provide the tenant a copy of the signed HUD-50059 and retain a copy in the tenant’s file.”*

Legitimate reasons to submit a 50059 without a tenant signature are outlined in HUD’s MAT Guide Chapter 5.

|  |  |  |
| --- | --- | --- |
| **Item 118** | **Extenuating**  **Circumstances Code** | Leave blank if any tenant has signed this (re)certification. If the tenant has not signed this (re)certification, this Item must be filled in with one of the following codes.  **1** = Medical  **2** = Late annual (re)certification due to accommodation or extenuating circumstances.  **3** = Late annual (re)certification due to owner/agent delay  **4** = Late annual (re)certification due to third party delay (For example a Guardian)  **5** = Military Deployment  **6** = Eviction in Progress. Must be for a valid HUD Handbook reason.  **7** = Court order  **8** = No Signature Required (Retroactive GR done after a MO or a GR correction to a previously transmitted 50059 where the only change is the GR modification of the contract rent and where none of the TTP, Tenant Rent, or Utility Allowance changes). See 202D MAT Guide  **9** = No signature required for 60 days (based on anticipated voucher reported on date). An example would be a retroactive GR causing a correction to a previously transmitted 50059 and where any of the TTP, Tenant Rent or Utility Allowance changes. A signature is required but the cert may be transmitted immediately and the signature collected within 60 days.  **10** = Other  **11** = RAD tenant not required to or unable to sign. |

When a resident does not report for AR or does not sign the appropriate certifications, it is not usually appropriate to use the Extenuating Circumstances Code unless there really are extenuating circumstances or unless the owner/agent is making a reasonable accommodation. This code is not used because a resident was on vacation or because a resident refused to participate.

BE CARFUL ABOUT USING THE EXTENUATING CIRCUMSTANCES CODES. OWNER/AGENTS MUST BE FAMILIAR WITH

LOCAL TENANT/LANDLORD RULES WHEN REQUESTING SUBSIDY ON BEHALF OF A RESIDENT.

**Example 4: Using March 1 as the AR effective date**

**Resident Has Been Hospitalized – Delay Processing Due to Extenuating Circumstance**

|  |  |  |
| --- | --- | --- |
| **Date** | **Milestone** | **Tasks** |
| March 1 | Beginning of Certification Cycle | Certification is complete, signed and dated. OA provides Initial Notice. |
| April, May, June, July, August, September, October – no required action | | |
| November 1 | 120-Day Reminder Notice | Resident does not respond, or has not provided necessary documents/signatures |
| December 1 | 90-Day Reminder Notice | Resident does not respond, or has not provided necessary documents/signatures |
| January 1 | 60-Day Reminder Notice | Resident does not respond, or has not provided necessary documents/signatures |
| January 5 | Resident contacts site staff and indicates extenuating circumstance | Explains that he/she is in the hospital and cannot complete the certification. OA will use available information to create certification and may use Extenuating Circumstance Code in lieu of tenant signature. |
| January 10 | Cutoff Date | Deadline for meeting and all information to be submitted. This meeting requirement is waived when there is an extenuating circumstance. |
| February 10 | March voucher is due. March is 13th month | In this example, resident has indicated that there are extenuating circumstances. Include previous AP amount on voucher. |
| March 1 | This is month 13 | |
| March 10 | April voucher is due. Billing for month 14 | In this example, resident has indicated that there are extenuating circumstances. Include previous AP amount on voucher. |
| April 1 | This is month 14 | |
| April 10 | May voucher is due. Billing for month 15. | In this example, resident has indicated that there are extenuating circumstances. Include previous AP amount on voucher. |
| May 1 | This is month 15 | |
| May 10 | June voucher is due. **Vouchering for the 16th month if AR is not complete** | Owner has already billed for 15 months under the old AR and may not bill for month16 without a new AR. Paperwork is not complete **due to extenuating circumstances.** OA may submit AR effective 3/1 and use appropriate Extenuating Circumstance Code. CA may not create the AR transaction on behalf of OA. CA may not create TM on behalf of OA. CA may not continue to pay AP for this tenant unless AR is submitted |
| May 15 | Resident Returns | OA completes necessary steps to verify and complete certification. Correct AR if necessary. Remove Extenuating Circumstance Code. All adult household members sign. Provide Initial Notice. |
| June 10 | July voucher is due | New AR will be included on July voucher. If AP changes, check adjustments to make sure they are correct based on March 1 effective date. |

### 

### Billing Through the 15th Voucher Month

Note: Site software will continue to bill for subsidy through the 15th voucher month when no AR, TM or MO is completed by the anticipated AR effective date. This happens when:

* When the resident meets with the OA and provides all required documents before the AR effective date; or
* When there are extenuating circumstances; or
* When the owner/agent does not complete the AR steps as required

In all of these cases, before billing for the 16th month the OA must submit either:

* An AR using the original anticipated effective date; or
* A TM Termination effective the day before the anticipated AR effective date; or
* A MO effective before the anticipated AR date

### Processing the AR When Tenant Provides Notice to Move

In the case where a resident gives notice that he/she will be moving out after AR reminder notices have been issued but before the AR effective date, the OA has two options:

1. Advise the resident that he/she is not required to participate in the AR process, but if the resident does not move out before the anticipated AR date, assistance will be terminated effective the day before the anticipated AR date and the resident will be required to pay market rent starting on the anticipated AR date. In this case, the OA may not continue to receive assistance on or after the anticipated AR date, or
2. Process the AR as if the resident will still be living in the unit on the AR effective date. In this case, the OA will continue to receive assistance (assuming the new assistance is greater than zero) until the household's actual Move-Out date.

The OA may not collect subsidy after the AR effective date if the OA or the resident did not complete the AR steps solely because the resident was expected to move out. The OA should not refuse to process the AR when a resident gives notice to move since circumstances may change which prevent the move prior to the AR effective date, or the resident may change his/her mind and continue to live in the unit.

## Contract Administrator Software and Processing Issues

### 4.41.1 CA and Site Software: Compatibility Issues

Both the Site and CA software must be compatible with TRACS. If CA software cannot accept or correctly process a legal transaction that TRACS accepts, the problem is one for the CA to resolve.

The record must not be rejected and the site must be paid if there are no other problems with the transaction. This is not to say that a CA may not refuse to pay on a certification that TRACS accepts but rather that CA software limitations may not dictate what is paid and what is not paid.

There are many areas of the Handbook 4350.3 that are subject to differing interpretations. There are also technical areas of the Handbook that have not benefited from a complete analysis from the point of view of software implementation. When in doubt, a request should be made to HUD to provide clarification based on the current clarification request process. If there is a delay in the response, common sense and flexibility, combined with an analysis of what TRACS allows should prevail.

For example, the Handbook mentions Annual Recertifications as ones where a full certification should be submitted if a unit transfer or Gross Rent Change occurs on the same date. In practice, TRACS does not check for this condition nor does it refuse to accept MAT70 records effective on the same date as a full certification already in the database. TRACS also allows for UTs and GRs to be submitted as full certifications for other than AR certification types. As long as the correct subsidy is paid, CA software must accept either a full or partial certification if other Handbook rules are upheld.

This is not to say that a full certification is a substitute for a partial certification in all cases. A full certification calculates ages of household members based on the Effective Date of the certification. Submitting a Gross Rent Change as a full certification when there is no change to other household information can cause allowances to be increased or decreased thereby changing the TTP. In cases such as these, full certifications should not be submitted--only partials. For this reason, CAs must not request a set of full certifications in lieu of a proper baseline consisting of full certifications and any partial certifications effective after the full certifications. This means that site software must be able to submit a proper baseline.

*Note related to Special Claims processing: TRACS does not flag a full certification UT as a UT. CAs and HUD reviewers may need to look at the tenant history to see that the unit has changed. Therefore, it would not be appropriate to deny a claim solely for lack of a cert in TRACS that is flagged as a UT given that the handbook requires full certification UTs in some cases.*

### 4.41.2 CA Acceptance of Site Transmissions

CAs must accept all files that a site transmits during a month. CAs may not require only one certification submission per month. Chapter 7 of this MAT Guide indicates that sites should transmit certifications as they are completed.

*Note: Even though TRACS allows early transmission, it is best to submit Annual Certifications with or in the same month as the appropriate voucher or a later voucher. For example, an AR effective on 6/1/2012 can be sent in May with the June voucher or on any later voucher. While the certification could be sent earlier and the certification will be accepted by TRACS, there are issues when a MO, GR or TM certification, effective earlier than the Annual Recertification (AR-MAT 10) Effective Date, is submitted after the Annual Recertification (AR-MAT 10) and before the Annual Recertification (AR-MAT 10) Effective Date. It is permissible for CA or site software to “hold” those Annual Recertification (AR-MAT 10) certifications until the voucher month.*

***Note:*** *The MAT Guide Chapter 7, Figure 7-2 establishes the due date for HAP voucher submissions as the 10th calendar day of the month. CAs are not permitted to require submission by an earlier date or condition acceptance of a transmission based on whether the CA offices are open on the due date.*

*Note: CAs must accept (as does TRACS) a full or partial certification marked as a correction even in cases where the CA does not have a corresponding original certification (not marked as a correction).*

Each MAT record has a defined length (the ending column of the last field defined for the record type). Generally, both site and CA software should generate and transmit only records of the prescribed length without space padding records so that all records have the same length. However, it is not a cause for rejection if site software adds information past the normal end-of-record column. CA software may truncate the record to the defined length and validate only the defined fields or simply ignore any information after the defined ending column.

### 4.41.3 Sorting on HAP Vouchers

On both the voucher detail and adjustment pages, information should be presented in Unit Number order where the unit numbers are sorted right-justified. The unit number used must be the TRACS Unit Number (see 4.36 above)—not the Unit Number used for the unit at the site.

### 4.41.4 Processing

CA software vendors are encouraged not to follow the TRACS processing flow but rather to process incoming certifications in Effective Date order, following the TRACS rules to break ties when multiple certifications are effective on the same date or multiple partial certifications are submitted for one household in one tenant file. When doing so, it is good practice to treat a unit transfer as both a transfer out and a transfer in. At some time in the future TRACS will process the transfer out portion of a UT prior to processing MAT10 records.

### 4.41.5 Transmitting

Owner/agents must take appropriate action including taking steps to correct and re-transmit certifications rejected by a Contract Administrator or TRACS.

The CA must transmit all non-fatal certifications to TRACS. Because the CA is the mediator between OA transmissions and TRACS, it is the CAs responsibility to ensure that the certifications are reflected in TRACS unless TRACS issues a Fatal Error. OAs are required to check TRACS to verify that the certifications they have transmitted have been recorded successfully in TRACS and should work with the CA to fix any problems. As an aid in this process, owners should cooperate with CA requests to retransmit a certification as a correction or as a baseline if the site software is capable of doing so.

In turn, CAs must respond to owner/agent’s request to submit transactions that have been approved/paid by the CA but that are missing in the TRACS database. Failure to do so can result in subsequent errors. For example, if a Move-out transaction is not recorded in TRACS, submitting a Move-in transaction for the same resident in another property could result in unnecessary and inappropriate errors. Failure to ensure that all resident transactions are recorded in TRACS creates problems for owner/agents when they attempt to generate or review required EIV reports.

Also see Section 4.12 of this MAT Guide for information about submission of retroactive certifications. In this regard, CAs need to be aware of the fact that submitting a retroactive transaction, such as a retroactive Gross Rent Change can cause TRACS to reactivate a previously moved-out household (this happens when the GR effective date is earlier than the Move-Out (MAT 40) effective date but is recorded after the Move-Out (MAT 40) is recorded in TRACS). Not only can this cause a property to have a compliance percentage greater than 100% but it causes the household to become active again in EIV. The consequence can be the rejection of an application, the rejection of a valid Move-in (MI-MAT 10) in TRACS or erroneous Double Subsidy Reports (in TRACS) or Multiple Subsidy Reports (in EIV).

CAs must develop a process to allow owner/agents to monitor and correct TRACS data. CAs may not refuse to forward compliant certifications to TRACS when data is missing from the TRACS Database. For example, if CA software routinely rejects (Fatal Error) a resubmission of a Move-out (MAT 40) record, when the correction flag is set, it is necessary for the CA to find a way to ensure that the Move-out (MAT 40) is properly recorded in TRACS when household move out status has not changed but a subsequent transmission has reactivated the tenant. CAs may properly fatal a resubmitted MO if the correction flag is not set.

### 4.41.6 HAP Payments for Late Recertifications

In accordance with HUD policy as articulated in HUD Handbook 4350.3, paragraph 7-6, CAs must pay the most current Assistance Payment amount until the receipt of a new annual recertification or until the sixteenth voucher month, the tenant moves out or the tenant is terminated, whichever occurs first.

***Note:*** *The Effective Date of the MO or TM transaction must be no later than the day before the anticipated AR effective date. If the MO or TM is on or after the anticipated AR effective date, the AR process must have been completed by the owner/agent and the resident(s). The only exception would be a TM/DS or TM/NS.*

The CA may not stop paying assistance earlier and payments must be made based on the most recent certification in effect for months 13-15. OAs are responsible for following all Handbook recertification guidance.

***Important Note****: If TRACS has not received either an Annual Recertification (MAT 10), a Move-Out (MAT 40) or a Termination/Suspension (MAT 65) by the end of the 15th month, TRACS will generate an HQ termination shortly after the beginning of the 16th month.*

For example:

* AR due date is 1/1.
* If no new AR, MO or TM is received, the CA pays the most recently calculated subsidy amount for the January, February and March vouchers (months 13, 14 and 15). It is assumed that the tenant reported before the anticipated AR date. This may be a flag for an MOR file review.
* If no new AR, MO or TM is received, the HAP payment for the tenant is stopped on the April voucher. Site software must not bill and CA software must not pay for month 16 (April)
* When the voucher is generated by the site for month 16 (April), the owner/agent must terminate assistance effective the day prior to the AR due date (in our example, 12/31 if the anticipated AR Effective Date is 1/1). While the CA may adjust the month-16 payment to the OA, Contract Administrators must not create or submit the Termination transaction on behalf of the OA.
* The OA Termination will cause an adjustment reversing the subsidy payments for months 13, 14 and 15--(January, February and March in our example).
* The Termination must be reflected on the month 16 voucher (April if the AR anticipated AR Effective Date is 1/1).

If the delay is the fault of the tenant (tenant reported on or after the anticipated AR Effective Date or tenant failed to sign an AR that was completed before the anticipated AR Effective Date) and there are no extenuating circumstances, no Annual Recertification (MAT 10) should be submitted. Instead the OA must Terminate the tenant’s assistance for at least one month. The OA should reinstate assistance if the tenant subsequently reports for the certification, the resident qualifies for assistance and assistance is available. If the tenant does qualify for assistance and assistance is available an Initial Certification (IC-MAT 10) must be submitted effective the first of the month after required documentation is provided (no earlier than the first of the month after the original anticipated AR Effective Date). In other words, the tenant must pay the market rent for a minimum of one month. The Next AR Date on the new Initial Certification (IC-MAT10) will coincide with the new IC effective date

Owner/agents may not submit an AR with an Effective Date that is after the anticipated AR Effective Date. For example:

* AR Due 1/1
* Resident reports 1/5 (no previous response to Reminder Notices – no Extenuating Circumstances)
* OA must Terminate Household effective 12/31
* Assuming compliance/eligibility, OA submits IC effective 2/1
* Next AR date is 2/1
* OA must NOT submit AR effective 2/1

When an AR is delayed due to owner/agent error the owner/agent **must** submit the AR using the original anticipated AR Effective Date. The TM/IC is not used to “punish” the owner/agent and deny subsidy to the resident. In this case, even though the OA is not compliant, the resident is entitled to the subsidy based on the anticipated AR Effective Date.

If the recertification delay is a result of Extenuating Circumstances as outlined in Chapter 5 of this MAT Guide, an AR may be created and transmitted using one of the Extenuating Circumstances Codes. This will prevent TRACS from generating an HQ Termination transaction and “deactivating” the tenant. When the situation causing the Extenuating Circumstance is resolved, the Annual Recertification (MAT 10) correction is processed. It is effective on the original anticipated AR Effective Date (In our example, January 1) and the appropriate adjustments are made on the voucher.

**Note:** If an OA is not familiar with the Extenuating Circumstances Codes, if legal proceedings delay completion of the AR, or if state tenant/landlord laws prohibit the OA from sending a certification without a tenant signature, then completion of the AR may be delayed more than 90 days. The CA will stop paying subsidy and TRACS will generate an HQ Termination. In these cases, if the resident is entitled to subsidy based on the anticipated AR date, the CA and TRACS will accept the AR using the original anticipated AR Effective Date, even though that date may be more than 90 days old. TRACS will generate an error with an Action Code 3. The voucher will be adjusted to correct the Assistance Payment amount starting on the Effective Date of the AR. Even though TRACS generated an HQ Termination, there is no requirement – and indeed it would be incorrect – for the owner/agent to create and submit a Termination (TM – MAT 65) and/or an Initial Certification (IC-MAT 10).

The following example illustrates what is required on the site voucher for a late recertification when no recertification is complete prior to the submission of the voucher for month 16. Assume a recertification date of January 1 and an assistance from the prior year’s Annual Recertification (MAT 10) (assuming no transactions after the prior AR) of $400.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Voucher Month** | **Month #** | **Assistance Billed** | **CA Payment** | **Adjustment** |
|  | | | | |
| December | 12 | 400 | 400 |  |
| January | 13 | 400 | 400 |  |
| February | 14 | 400 | 400 |  |
| March | 15 | 400 | 400 |  |
| April | 16 | 0 | 0 | -1,200 |

Other examples include:

**Scenario 1:** If a resident submits appropriate paperwork and signs the AR on or before the effective date, the AR is on time. The AR does not have to be completed a month in advance. For example, if an AR is effective on 10/1 and the resident signs the AR on 9/30 and includes the AR on the November voucher (created on 10/2) the AR is completed on time. There is no penalty assuming that the owner/agent has provided notice in accordance with HUD guidance.

**Scenario 2:** If a resident submits information **on or after** the AR Effective Date and there are no extenuating circumstances, the household **MUST** be Terminated effective the day before the anticipated AR Effective Date. No subsidy will be provided for that month. If the resident still qualifies for assistance, and the resident subsequently submits their information, an IC is created and the Effective Date is the first of the month after information was submitted. Subsequent Annual Certification Effective Dates will be based on the IC Effective Date **not** the original Move in date.

**Scenario 3:** If a resident submits information after the deadline (10th day of the 11th month) and before the AR Effective Date, the AR will still be effective on the anticipated AR Effective Date, but the resident has no right to a 30-day Notice of Rent Increase (assuming proper notice was provided by the OA). The owner/agent should make every attempt to complete the AR no later than the effective date, but verification tasks may force the owner/agent to complete the AR after the Effective Date. In this case, the Annual Recertification (MAT 10) is still effective on the original anticipated AR Effective Date and changes are retroactive to that date.

As always, in this kind of situation, you must consider extenuating circumstances when information is late. Scenario 3 seems to be the issue. Let’s take a specific example.

* The Ford household is required to complete an AR every year in September.
* The Ford’s should submit information no later than July 10th.
* The Ford’s actually come in for their AR interview on August 20th. They submitted information late but the owner/agent will still complete the AR with the same effective date. Changes in rent (up or down) will be effective on the AR effective date.
* In August, the owner/agent billed, on the September voucher, for the old subsidy.
* It takes the owner/agent 35 days to obtain adequate verification of the information.
* In September, the owner/agent billed, on the October voucher, for the old subsidy
* The Ford’s sign their AR on September 24
* In October, the owner/agent bills for the new subsidy amount and includes appropriate adjustments for September and October

In this scenario, the owner/agent should be paid on the vouchers, even though the AR is late.

**To summarize:** The 15-month rule permits billing for 3 months after the AR due date when there are extenuating circumstances or owner/agent or third-party delay. Note that billing for month 13 happens prior to the AR due date and before we know if the tenant will appear prior to that date.

There are two main cases:

1. Tenant is late reporting (on or after the AR date)
   1. Presence of extenuating circumstances is not yet known
      1. Continue billing while determining whether extenuating circumstances exist.
   2. There are no extenuating circumstances
      1. Owner/agent is required to terminate assistance effective the day prior to the AR date and raise tenant to contract/market rent. Subsidy may be restarted with an IC effective no earlier than 30 days after the AR date.
   3. There are extenuating circumstances
      1. Billing continues while waiting for the tenant to complete the AR process
      2. At the point of billing for month 16, a termination must be executed by the owner/agent and must be effective the day prior to the AR date.
2. Tenant reports prior to the AR date
   1. No owner/agent or third-party delay
      1. Submit completed AR—may cause an adjustment if month 13 had previously been billed.
   2. owner/agent or third-party delay (Note that some delay may be “normal” even if the tenant reports the day prior to the AR date—it takes the usual amount of time to verify and billing for month 14 needs to occur on or before the 10th of month 13)
      1. Billing is permitted for months 13-15.
      2. At the point of billing for month 16, a termination must be executed by the owner/agent and must be effective the day prior to the AR date.

**Extenuating Circumstances Codes on ARs and the impact on the 15-month rule:** The new Extenuating Circumstances Codes allow a certification to be sent with an owner/agent signature but no tenant signature. In some cases, the certification will be corrected when the signature is obtained and in other cases there will be no correction (a Gross Rent (GR-MAT 70) amending a certification for a moved-out household). The general understanding is that such a certification has the same status as a certification with a tenant signature and impacts billing in the same way. Three examples:

1. HUD allows OAs to bill during eviction proceedings. Owner/agent transmits an AR without a tenant signature using Extenuating Circumstance Code 6 = Eviction in Progress
2. Head of Household is deployed in Afghanistan and can’t sign the AR. Child is under the care of a friend temporarily residing in the unit. Owner/agent transmits an Annual Recertification (MAT 10) without a tenant signature using Extenuating Circumstance Code 5 = Military Deployment
3. Tenant extenuating circumstances exist at AR time. Owner/agent transmits an Annual Recertification (MAT 10) without a tenant signature using Extenuating Circumstance Code 2 = Late AR due to accommodation or extenuating circumstances.

Given that an Annual Recertification (AR-MAT 10) transmitted with an Extenuating Circumstances Code is a permitted transaction, the 15-Month Rule does not apply after the Annual Recertification (AR-MAT 10) is sent. The 15-Month Rule applies only in the absence of an Annual Recertification (AR-MAT 10).

**Status of Certifications With Effective Dates After The AR Due Date And Prior To The Submission Of An AR:** At this writing, there is no clarification on the questions that have been raised concerning the validity of such transactions and subsidy billing related to them. What is known is that HUD permits billing for three months past the AR due date (the 15-Month Rule) and that TRACS currently accepts and processes all transaction types when the Annual Recertification (AR-MAT 10) is missing.

However, TRACS does not accept either a Move-Out (MAT 40) or a Termination/Suspension (MAT 65) effective three or more months after the AR due date (F0181 and F0185). While TRACS does accept an Interim Recertification (IR-MAT 10) effective after the AR date, it does issue a CE029 Action Code 1 error pointing out that the Annual Recertification (AR-MAT 10) is missing.

### 4.41.7 TRACS Errors

CAs must return ALL TRACS and CA software generated messages to owners without alteration. OAs are entitled to see these messages. If a CA wants to append additional text to an error message, it is permissible to do so starting on a new line at the end of the TRACS message and indicating that this is a CA addition—see **CA Error Checking** below.

If CAs want to communicate guidance about errors in some other way, they must do so in addition to returning TRACS messages. If a CA believes that the TRACS and CA messages will only confuse the OA, the CA is free to tell OAs to ignore the messages but the messages must be sent nonetheless. Not sending the messages deprives the sophisticated OA and software vendors from information that can help to improve quality.

### 4.41.8 Returning Messages to OAs

For reasons of privacy and confidentiality, CAs must avoid sending messages to an entity other than the one that currently submits files on behalf of a project/contract. To accomplish this CAs must do as TRACS does. TRACS stores in its database the iMAX ID of the most recent sender of files for a project/contract. It returns messages to the ID of that sender.

***Note:*** *The ID that TRACS stores is that of the sender in the transmission header of the file that looks like this:* ***From: TRACM00000****. It does not use the Project’s iMAX ID in the MAT header record.*

For example, if a CA has been receiving files for contract C1 from TRACM00001 but then receives a file from TRACM00002 for C1, the responses to the new file must be sent to TRACM00002. All other responses and messages for C1 from that point forward also need to go to TRACM00002.

It is not appropriate for CA software to require human intervention to change the destination of responses. This needs to happen automatically based on messages received.

### 4.41.9 CA Error Checking

**Other Error Conditions That Are Checked By TRACS:** Because of the terms of their contract with HUD, Contract Administrators (CAs) are permitted to be more stringent than HUD/TRACS in requiring the resolution of non-fatal errors. For example, TRACS issues a Discrepancy Message (error) with an Action Code 1 (accepted, but must be resolved within 45 days) when a certification is not calculated correctly. TRACS stores and reports its own calculated values in such cases-not the values submitted by the sites. The CAs mission is to provide a higher level of data quality - ensuring accuracy and currency of tenant certification data.

**Error Conditions That Are Not Checked By TRACS:** CAs may conduct edits (check for additional errors) when TRACS does not as long as the edits are in accord with HUD occupancy rules as described in the Handbook, in HUD Guides or in subsequent Notices or Final Rules. In these cases, these non-TRACS error messages must not use Error Codes that are used or defined in TRACS.

It is best not to use a code not currently in use by TRACS but whose numeric value is less than the greatest one that TRACS currently uses. If using a CE or F code for a new CA error, use a number greater than or equal than 800 (CE823, F0800) and contact owner/agents to tell them what the new errors are and how to deal with them.

* CAs should respond separately to each file (attachment) submitted following the guidelines below so that site level software can identify which submitted files generated which errors.
* Format of returned messages:

***NOTE****: Use a standard TRACS Message Header as follows. See* ***Appendix B*** *of the MAT Guide. The Message Header ends with the Effective Date line.*

@\*@ TRACM00098TRACM00098

OA Defined Data: MAT40TRANS

OA Software Vendor: MYSOFTWARE

OA Software Release/Version: TRACS8.3

CA Software Vendor: YOURSOFTWARE

CA Software Release/Version: 3.0.0.4

Agency Defined Data: 01515555

Project Name: PINECREST

Project No.: 24755316

Contract No.: CA30M000001

Unit No.: 106

SSN: 888888888

Name: WASHINGTON, REBECCA

Tenant No.: 106R

Effective Date: 2016-01-01

Fatal Error: F0096

MOVE-OUT EXISTS ON THE TRACS DATABASE

Fatal Error: F0035

MOVE-OUT ACTION NOT PROCESSED

***Note:*** *Do not send unformatted reports—i.e. reports without a standard message header. Reports can be appended to a standard error header as follows:*

@\*@ TRACM00098TRACM00098

OA Defined Data: MAT40TRANS

OA Software Vendor: MYSOFTWARE

OA Software Release/Version: TRACS8.3

CA Software Vendor: YOURSOFTWARE

CA Software Release/Version: 3.0.0.4

Agency Defined Data: 01515555

Project Name: PINECREST

Project No.: 24755316

Contract No.: CA30M000001

Unit No.: 106

SSN: 777777777

Name: WASHINGTON, REBECCA

Tenant No.: 106R

Effective Date: 2016-01-01

Informational: CE800-CA

CA PROCESSING REPORT

CA Message: Thanks for your submission

You sent 23 Annuals. We rejected 3 of them.

You sent 4 Gross Rent certs. We liked them all.

Etc., etc., etc.

* In the example above, “CA PROCESSING REPORT” is the name/description of the CE800-CA message. The text starting with “CA Message:” is a CA addendum (see below).

*Note that, since a message can refer only to a single file submitted by an owner/agent, a report such as the one above must not refer to more than one file.*

* Preserve OA data (OA Defined Data, OA Software Vendor, OA Software Version) both when sending to TRACS and in the messages returned to sites. Failing to preserve OA data deprives TRACS of the ability to monitor vendor performance and makes it difficult for site software to attach a message to the file causing the message.
* Add CA vendor, version, and data (CA Software Vendor, CA Software Version, Agency Defined Data) to CA messages as in the samples above.
* Add a CA identifier (-CA) to CA and TRACS message codes generated by CA software following the examples below.
  + CE123-CA
  + F0111-CA
  + QQ005-CA (This error is not a TRACS error but rather a possible example of one unique to the CA software)

**In other words, if the CA software generates an error message, add the CA suffix to the code. If the message has been generated by TRACS, do not add the suffix when passing the message on to the site.**

* If a TRACS message code is used, return the same text message as does TRACS. Do not modify the TRACS wording.
* Optionally add a CA addendum starting on a new line and beginning with the words “CA Message:”. This rule also applies to site level vendors who wish to “enhance” the message to give a different or expanded explanation. Start with the literal TRACS message. Then, on a new line, add the vendor message beginning with the vendor or product name as in “Fly-Bi-Nite Software Message: Check your Property Settings on Screen 3 and be sure Field 6 is filled in”.
* CA MAT responses: Under iMAX, CA MAT responses are handled the same way as for regular TRACS responses. Add a CA identifier (-CA) to MAT error codes generated by CA software following the examples below. In addition, the final part of a MAT response is a section indicating the number of errors found. When generated by CA software a “-CA” should be added to the end of that message also. For example: “Response Message: 3 ERRORS DETECTED IN THIS MAT SUBMISSION-CA
  + X-CA
  + V1-CA

Problems noted with some CA messages as of November 2010

* Listing a message type without a code. For example: Informational: or Discrepancy:
  + Every message type must have a code either matching an existing TRACS code or a code unique to the CA software. If the latter, the code must be followed by “-CA”
  + Correct example: Informational: QX321-CA
* Generating a Discrepancy message without listing the severity in an Action Required line as does TRACS. Some CA software omits the Action Required line.
  + Discrepancy: CE258
  + Action Required: 3
* Indicating that a field has an incorrect value but not reporting the value in error and the value that the CA believes is correct.
  + For example, if the CA software reports an incorrect contract rent, its message must indicate the submitted value and the correct value as does TRACS with its calculation messages (TR, TTP etc.)
* Returning older messages for a submission along with new messages.
  + For example, vouchers generate a sequence of messages throughout the month. Only messages not previously sent to the site are to be sent in a new batch. Some CA software retransmits old messages along with new ones. This practice is not permitted and can make it harder for OA staff to identify what is new.
* Returning CA generated MAT responses in the old format. The new iMAX format must be used.

### 4.41.10 Terminated Households

Contract Administrators and TRACS should treat terminated households as moved out for all practical purposes. This is true unless TRACS or the CA receives certifications or a series of certifications that, in effect, reverse the Termination transaction. CAs may not request electronic or other proof of move-out for a terminated household prior to allowing another tenant to move-in or transfer in to the unit occupied by the terminated household. Once the termination/suspension occurs, the household is no longer the responsibility of the CA. The CA's primary responsibility is to ensure that two households do not receive subsidy in the same unit simultaneously. As long as this does not occur, the CA is upholding its obligations.

***Note:*** *In rare cases, an individual may appear on the 50059 for two different households (e.g a child in a joint custody arrangement)*

However, if a special claim is submitted for a unit previously occupied by a terminated tenant, HUD rules require that the owner/agent submit a Move-out transaction to the CA/TRACS to support the claim. Site software must offer a feature that allows for the creation and transmission of a MO record for the subsidy type of the household at Termination.

In practice, there are several scenarios post termination:

* The tenant could be at market rent or could be on another subsidy. In either case the tenant could then move out. If the tenant is on another subsidy (terminated from Section 8 and now on 236) the MO will be sent to TRACS. It will not generally pass through the CA.
* The tenant could transfer to another unit. After the termination, the CA could see a MI, IC, or UT (full or partial cert) into the terminated tenant's old unit. These transactions should be accepted.
* In the very rare case the CA could see a MI to the same unit from the same household. This would happen legitimately if the tenant moved out after termination and then back in.

### 4.41.11 CA MAT30s-- When Is a Single Vs a Double Record Created and Returned?

Starting in 2.0.2.D, CA software is required to create a full set of MAT30 records that are returned to OAs and sent to TRACS. OAs will use the records to assist in reconciling the site and CA HAP vouchers. In order to ensure consistency among the CA software vendors in how they implement these records, this section details the rules for when CA software creates a single record and when it creates two records.

Until we gain experience with the processes, what we are calling a “full match” of field data is required for a single record to be returned. If there is not a full match, the CA will return the site request record, setting the Paid Amount field to $0. Additionally, a second record will be created indicating what the CA is actually paying. If there is a full match, the site request record is sent back to the site with the Paid Amount field filled with the amount of the CA payment. Note that the CA may pay an amount less than, equal to or greater than the site requested amount. A $0 paid amount is possible in this case and would indicate that the CA is rejecting the site request if the site request is non-zero.

A full match is defined as the data in all key fields of the site and CA record matching perfectly. The key fields that are included in the match decision are listed below for each of the Section 3-7 record types.

An “OA Record” is defined as one that was sent by the site software. A “CA Record” is defined as one created by the CA software as a result of a lack of a full match with an OA Record. There will always be an OA Record corresponding exactly to what the site submitted with the exception of the Paid Amount field. There may or may not be a CA Record.

In addition, if the CA is paying for something unrelated to an OA request, there would only be a CA Record.

There are two scenarios when the OA submits a record:

**Scenario 1: There Is a Full Match**

The CA returns an OA Record only. The only field that might differ from the original OA Record is the Paid Amount field. The paid amount can have any value including $0. If the CA is paying exactly what the OA requested, then the Requested Amount and the Paid Amount fields will be equal.

**Scenario 2: There Is Not a Full Match**

The CA returns an OA Record consisting of the site record as submitted with the Paid Amount field filled with $0.

The CA returns a CA Record with the Requested Amount set to $0 and the OA Vendor Data field left blank. The Paid Amount will be whatever the CA is paying.

Key Fields are indicated below with an asterisk.

Section 3 Record—Assistance Payment Detail:

Last Name\*

First Name\*

Middle Initial\*

Unit Number\*

Bedroom Count\*

Contract Rent\*

Utility Allowance\*

Certification Type\*

Correction Flag\*

Cert Effective Date\*

Requested Amount

Paid Amount

OA Vendor Data

Section 4 Record—Adjustment Payment Detail:

Last Name\*

First Name\*

Middle Initial\*

Unit Number\*

Billing Type\*

New Certification\*

Certification Type\*

Correction Flag\*

Effective Date\*

Assistance Payment\*

Adjustment Start Date\*

Adjustment End Date\*

Requested Amount

Paid Amount

OA Vendor Data

CA Initiated (Will be blank for an OA Record and ‘Y’ for a CA Record)

Section 5 Record—Approved Special Claim:

Claim Type Code\*

Claim ID\*

Claim Amount

Paid Amount

OA Vendor Data

Section 6 Record—Miscellaneous Accounting Request:

Misc. Request Type\*

Misc. Request Amount (The OA request)

Comment\*

Paid Amount

OA Vendor Data

Section 7 Record—Repayment Agreement:

Record Type\*

Head Last Name\*

Head First Name\*

Unit Number\*

Agreement ID\*

Agreement Date\*

Agreement End Date\*

Transaction Type\*

Status\*

Beginning Agreement Amount\*

Agreement Change Amount\*

Ending Agreement Amount\*

Beginning Balance\*

Total Payment\*

Ending Balance\*

Amount Retained\*

Amount Requested

Paid Amount

OA Vendor Data

Head of Household ID Code\*

### 4.41.12 CA Origination of Data (NEW)

HUD policy is clear that certification and voucher data must originate from the property owner/agent. The data (resident or voucher transactions) is not to be modified or generated by the Contract Administrator (CA) before passing it on to TRACS. However, it is useful to distinguish between 1) substantive certification data (cert data) related to the household and unit and 2) technical fields (technical data) in the MAT specification that is unrelated to the household and unit.

Substantive certification data (cert data) related to the household and unit may not be edited or created (except in rare circumstances noted below) by a Contract Administrator. Certifications are legal documents that amend the lease. They are signed by the OA and the tenant to certify acceptance/accuracy. Lease/contract modification rules apply.

Technical data assists with the facilitation of transmissions between Owner/Agents (OAs), Cas and TRACS. CAs may, but are not required to, assist a site by modifying technical data. Modification of technical data is intended to be used as a temporary measure to assist and OA when the MAT file created by site software is not correct. Such modifications should only be necessary until the site software vendor provides a correction to the issue causing the error.

To recap, certification data is household, financial, and other data presented on a HUD form 50059 or 50059-A. Technical data consists of MAT fields unrelated to certification data such as record numbers, release/version numbers, date/time stamps, anticipated voucher dates (see paragraph 4.25), correction and baseline flags and such. It is only the certification data that CAs may not modify. Refer the material below for a complete description of what is and is not permitted.

**Introduction:**

Currently, Owner/Agents (OAs) send certification and voucher data either to Contract Administrators (CAs) or direct to TRACS. By definition, any data sent by the OA to TRACS originates with the OA. However, where a CA is involved, data flows from the OA to TRACS through the CA. CAs are involved in reviewing data for most Section 8 contracts and, in some cases, for Section 236 projects. OAs send data for other subsidy types direct to TRACS.

The question arises whether CAs or any other HUD agent have discretion to modify OA transmissions in any way before passing them on to TRACS. The answer to that question depends in part on whether we are dealing with voucher data or certification data and whether the data is substantive (information about the household, project, contract and unit) or technical (fields that support the transmission of the data but that have no meaning in terms of the lease). The former can be called cert data and the latter technical data. Technical data exists because TRACS MAT records contain fields designed to support electronic transmission and that are neither printed on a certification form nor are related to compliance or the correctness of the certification in any way. Examples are fields such as a Record Identifier, Release Version Number, Record Number and Section Indicator. **The general principle is that CAs may assist an OA by fixing technical data but only to allow time for the OA software vendor to fix the problem causing the error.**

**Origination of Data:**

HUD Guidance is clear on the responsibility for the correction of errors as indicated in MAT Guide Chapter 7 (formerly 4350.3 Chapter 9). Emphasis added:

**Contract Administrator Requirements (7.6)**

* + 1. *All Contract Administrators must support receipt of electronic transmissions of certification/recertification and voucher data from the projects they administer. The Contract Administrator may develop custom TRACS-compliant software or purchase software from commercial vendors who offer Contract Administrator versions of TRACS-compliant software packages, or make arrangements to receive transmissions through a service provider.*
    2. ***Contract Administrators must review and identify data errors to be corrected by the owner****. To accomplish this review and reconciliation, the Contract Administrators may request copies of supporting documentation for TRACS transmissions, \*such as forms HUD-52670-A part 1, 2, 3, 4, 5 and 6 with original \* signatures from the projects they administer.*
    3. ***After the owners have reviewed and corrected any errors in the data and resubmitted the information to their Contract Administrator, the Contract Administrator must electronically transmit data to HUD in the required format.***
    4. *Contract Administrators are not allowed to require electronic submissions from owners that go beyond TRACS data submission requirements.*
    5. *\*Contract Administrators should submit to HUD throughout the month, certifications/re-certifications that the contract administrator has reviewed and approved. \**
    6. *These requirements* apply to Contract Administrators, both Performance-Based Contract Administrators and Traditional Contract Administrators.

Under these rules the responsibility for data origination and the correction of errors clearly rests with the OA. As mentioned above, in the case of certification data, the logic behind the rules flows from the fact that a certification is a signed legal document that modifies the lease. The resident and the owner/agent are attesting to the accuracy of the information being submitted.

**HAP Voucher Data**

The voucher differs from the certification in a number of ways. As with the cert, the voucher originates with the OA. When and OA submits to a CA, the CA creates a final “approved “voucher based on an audit of OA cert data. A final “approved” CA voucher may be different in detail than the original voucher transmitted by the OA even though individual line items are based on OA data.

With respect to technical data:

As a general principle, a CA may modify the Release/Version Number field (TRACS version) in any MAT record if necessary to transmit a file under a new TRACS version that was created in a prior version.

The **VCHHR** record has fields dedicated to CA use and others that may be modified by the CA. These include fields: 4-5, 7-11, 12-14, 21, 26-32.

|  |  |  |
| --- | --- | --- |
| 4 | **M** | Date Stamp |
| 5 | **M** | Time Stamp |

|  |  |  |
| --- | --- | --- |
| 7 | **M** | Sender Name |
| 8 |  | Sender Street Address |
| 9 | **M** | Sender City Name |
| 10 |  | Sender State |
| 11 |  | Sender Zip Code |
| 12 |  | Number MAT30 |
| 13 |  | Number MAT31 |
| 14 | F | Number MAT35 |

|  |  |  |
| --- | --- | --- |
| 21 | **M** | Total Records Sent |

|  |  |  |
| --- | --- | --- |
| 26 | **MOC** | CA ID |
| 27 |  | Filler |
| 28 | MOC | CA Transmission Date |
| 29 | MOC | CA Software Vendor |
| 30 | MOC | CA Software Release/Version |
| 31 |  | Agency Defined Data |
| 32 |  | Filler |

In addition, fields 37 and 38 are filled by the CA if it is creating a history baseline file.

|  |  |  |
| --- | --- | --- |
| 37 | **MOC** | Baseline Indicator |
| 38 | **MOC** | Baseline Effective Date |

The **MAT30 Section 1** record (Assistance Payment Header Record) will normally be modified by the CA because the site counters are often not the same as those in a CA voucher.

The **MAT30 Section 2** record (Assistance Payment Summary Record) has a number of fields that may be modified or set by CAs. These include fields: 2, 7-11, 17-19-21, 35-44, 45-50 and 51-53.

|  |  |  |  |
| --- | --- | --- | --- |
| 2 | **M** |  | Record Number |
| 7 | **M\*** | 52670  #6.a | Total Units in Contract |
| 8 | **M\*** | 52670  #6.b | Number of Units Receiving Subsidy |
| 9 | **M\*** | 52670  #6.c | Number of Units Abated |
| 10 | **M\*** | 52670  #6.d | Number of Units Vacant |
| 11 | **M\*** | 52670  #6.e | Contracted Units Occupied by Market Rent Tenants |
| 17 | **M\*** | 52670  #9.a | Unit Regular Billing Count |
| 19 | **M\*** | 52670  #9.b | Unit Adjusted Billing Count |
| 21 | **M8** | 52670  #9.c | Special Claim Unit Billing Count |

Note: Fields 7-21 above are initially filled by OA software and subsequently modified by CA software to conform to the facts of the CA voucher. This is necessary because the Section 2 record does not have separate fields for the OA requested and CA approved counts.

|  |  |  |  |
| --- | --- | --- | --- |
| 35 | **MOC** | *52670*  *#11.a* | Total Regular Payment Amount  Approved by CA |
| 36 | **MOC** | 52670  #11.b | Total Adjusted Payment Amount  Approved by CA |
| 37 | **MOC** | 52670  #11.c.i | CA Approved  Unpaid Rent  Special Claims Payment Amount |
| 38 | **MOC** | 52670  #11.c.ii | CA Approved  Tenant Damages  Special Claims Payment Amount |
| 39 | **MOC** | 52670  #11.c.iii | CA Approved  Rent-up Vacancy  Special Claims Payment Amount |
| 40 | **MOC** | 52670  #11.c.iii | CA Approved  Regular Vacancy  Special Claims Payment Amount |
| 41 | **MOC** | 52670  #11.c.iv | CA Approved  Debt Service  Special Claims Payment Amount |
| 42 | **MOC** | 52670  #11.d | Total Amount of Miscellaneous Accounting Requests  Approved by CA |
| 43 | **MOC** | 52670  #11.e | Total Amount of Repayment Agreement Amounts Approved by CA |
| 44 | **MOC** | 52670  #11.f | Total Voucher Amount Approved by a CA |

|  |  |  |  |
| --- | --- | --- | --- |
| 45 | **MOC** | 52670  #12 | Amount Applied to Mortgage |
| 46 | **MOC** | 52670  #13 | Amount Applied to Debts |

|  |  |  |  |
| --- | --- | --- | --- |
| 47 | **MOC** | 52670  #14 | Amount Paid to Project |
| 48 | **MOC** | 52670  #15 | Amount Released from Reserves |
| 49 | **MOC** | CA  Monitor | Voucher Approved Date |
| 50 | **MOC** | CA  Monitor | Amount of Correction |

|  |  |  |  |
| --- | --- | --- | --- |
| The following fields are to be used by site and CA software when exchanging full vouchers and by Site and CA software when transmitting to TRACS | | | |
| 51 | **M** |  | Created By |
| 52 | **MOC** |  | Anticipated Payment Date |
| 53 | **MOC** |  | File Status |

The **MAT30 Sections 3-7** records. If the site values are legal (pass MAT edits and contain valid values), CAs must pass MAT30 records of types 3 **Assistance Payment Detail Record**, 4 **Adjustments Payment Detail Record**, 5 **Approved Special Claim**, 6 **Miscellaneous Accounting Request** or 7 **Repayments and Escrows** on to TRACS without alteration except that the paid amount field is set by the CA and record numbers will often be different than submitted by the OA. An exception to this rule is that CAs may force text fields to upper case. In addition, CAs may initiate MAT30 sub-records so long as the requested amount field is 0 (See MAT Guide, Chapter 4, 4.41.11). CA initiated records are based on OA submitted data. Note that OAs occasionally will fill the paid amount field even though the field is only for CA use. CA’s may either reject the record where this happens or edit the paid amount of the site record to the actual CA paid amount.

Miscellaneous Accounting Request records are hybrids in terms of the rules. Most request types must originate with the OA. However, an FORQ request will normally not originate with the OA (unless instructed to do so by HUD as was done when setting up residual receipts accounts) but may be added by the CA so long as the requested amount field is 0. If the OA is required to include a Miscellaneous Accounting Request on the voucher but fails to do so, the CA may withhold payment until the OA corrects the omission. An example of this case would be an OA subject to the EIV penalty. If the OA voucher does not include an EIVP Miscellaneous Request, the CA may insist on a corrected voucher that includes the EIVP record before releasing the voucher for payment.

Under no circumstance may a CA modify any OA Defined data field in the header or any other voucher record.

The CA may help the OA by correcting MAT errors for fields that are unrelated to the correctness of the voucher—technical data fields. The site does not need to correct and resubmit the file if the CA does this.

**Certification Data**

Both full certifications (MI, AR, IR, IC) and partial certifications (GR, UT, MO, TM) are subject to the rules above. See paragraph 4.25 (Anticipated Voucher Dates) in this chapter for the rules relating to CA modifications of Anticipated Voucher Dates in full and partial certification records.

**GRs:** While it is permissible for CA software to generate its own GR records as an aid in checking the site submissions, the site records must be processed and site records must be submitted to TRACS along with the OA Defined Data that allows the site software to match up any responses with the original file. CAs may either accept, reject or conditionally accept the site GR records but may not create and submit GR records generated by a source other than the OA. This ensures that site software can be used to maintain compliance with signature and other submission requirements. Any CA generated errors as a result of processing the GR records submitted by the OA are to be returned to the site per the regular 2.0.2.D and later rules.

**Correction Fields:** In some situations, a submission that is correct and compliant may fail to be recorded correctly in the TRACS database. In those cases, CAs are free to set the cert correction flag or baseline indicator to ensure that the transaction is recorded successfully in TRACS. In these cases, the CA may not modify substantive certification data (cert data) related to the household.

**Correct Cert but Incorrect MAT Data:** In rare cases, a printed certification may be correct, but the associated MAT record, created by the site software, does not reflect the information on the 50059 or 50059A. A CA may modify actual certification data to assist in fixing the cert data record to reflect information on the signed certification. The signed certification is the controlling data source.

**Terminations:** CAs are to stop paying subsidy with the 16th voucher month submission when any AR is past due based on the anticipated AR Effective Date. CAs are to terminate payments starting with the 16th voucher month. TRACS will automatically issue an HQ Termination for those households soon after the start of month 16. CAs must not create a Termination/Suspension (MAT 65) record for the household. The OA must determine if an AR should be submitted with an Extenuating Circumstance Code, if a Move-out (MAT 40) should be submitted or if a Termination/Suspension (MAT 65) record should be created and submitted. See question 144 in HUD’s Handbook Q&A found on the RHIIP website *(based on the August 2007 revision date).*

With respect to technical data:

As a general principle, a CA may modify the Release/Version Number field (TRACS version) in any MAT record if necessary to transmit a file under a new TRACS version that was created in a prior version.

The **TENHR** record has fields dedicated to CA use and others that may be modified by the CA. These include fields: 4-5, 7-11, 12-13, 15-17, 25, and 30-35.

|  |  |  |
| --- | --- | --- |
| 4 | **M** | Date Stamp |
| 5 | **M** | Time Stamp |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 7 | **M** | | Sender Name | |
| 8 |  | | Sender Street Address | |
| 9 | **M** | | Sender City Name | |
| 10 |  | | Sender State | |
| 11 |  | | Sender Zip Code | |
| 12 | |  | | Number MAT10 | |
| 13 | |  | | Number MAT15 | |

|  |  |  |
| --- | --- | --- |
| 15 |  | Number MAT40 |
| 16 |  | Number MAT65 |
| 17 |  | Number MAT70 |

|  |  |  |
| --- | --- | --- |
| 25 | **M** | Total Records Sent |

|  |  |  |
| --- | --- | --- |
| 30 | **MOC** | Contract Administrator  (CA) ID |
| 31 |  | Sender’s iMAX ID (Formerly Sender’s Telecom Address) |
| 32 | **MOC** | CA Transmission Date |
| 33 | **MOC** | CA Software Vendor |
| 34 | **MOC** | CA Software Release/Version |
| 35 |  | Agency Defined Data |

In addition, fields 40 and 41 are filled by the CA if it is creating a history baseline file along with fields 42-44.

|  |  |  |
| --- | --- | --- |
| 40 | **MOC** | Baseline Indicator |
| 41 | **MOC** | Baseline Effective Date |
| 42 |  | Number MAT90 |
| 43 |  | Number MAT91 |
| 44 |  | Number MAT92 |

**MAT 10** records = MI, AR, IR and IC: MAT10 fields that may be modified by a CA

**Section 1 – Certification Header Record**: Fields 2, 3 and 5-8 if incorrect (do not match the printed certification)

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Release/Version Number |
| 3 | **M** | Record Number |

|  |  |  |
| --- | --- | --- |
| 4 | \* | Previous Head ID |
| 5 | **\*** | Active MAT10 Effective Date (formerly Previous MAT10 Effective Date) |
| 6 | **\*** | Previous Head Last Name |
| 7 | **\*** | Previous Head First Name |
| 8 | **\*** | Previous Head Middle Initial |
| 9 | **\*** | Previous Head Birth Date |

|  |  |  |
| --- | --- | --- |
| 14 |  | Action Processed Code |
| 15 | **MOC** | Correction Type Code |

**Section 3 Family Record**: Field 2

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Record Number |

**Section 4 Income Record**: Field 2

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Record Number |

**Section 5 Asset Record**: Field 2

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Record Number |

**MAT 15 Address** Records: Fields 2 and 3. Note that a CA may leave fields 4-8 (HOH information) blank when creating a history baseline file. Also, for a CA created history baseline, field 28 (Floor Plan Identifier) and 30 (Site Building ID) may be changed.

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Release/ Version Number |
| 3 | **M** | Record Number |

**MAT 40 Move-Out** Records: Fields 2 and 3

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Release/ Version Number |
| 3 | **M** | Record Number |

**MAT65 Termination/Suspension** Records: Fields 2 and 3

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Release/ Version Number |
| 3 | **M** | Record Number |

**MAT 70 Gross Rent/Utility Allowance Adjustment and Unit Transfer** records: Fields 2 and 3

|  |  |  |
| --- | --- | --- |
| 2 | **M** | Release/ Version Number |
| 3 | **M** | Record Number |

**MAT90 series records**: Note that these records are never sent to TRACS. When a CA initiates a History Baseline and submits appropriate Baseline Files, they create all records by definition. The records contain contract and rent data.

When the History Baseline is submitted by an OA or by another CA, the CA may accept or reject any MAT90 series record and may modify incorrect data in them since these records are used as an aide in setting up a new contract in the CA software.

## Newer Subsidy Types

Note: This section contains the material from the discontinued Appendix K. The information on the RAD program has been moved to the new dedicated RAD Chapter 9.

### 4.42.1 811 PRA Demo (811 Project Rental Assistance Demo)

The 811 PRA Demo subsidy type has been assigned a value of 6 in the Subsidy Type field in the TENHR and VCHHR records.

Information about the program can be found here: <http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/grants/section811ptl>

The rent calculations used for the program are the same for Section 8 but do not include the $25 minimum rent/ttp rule.

**Important Note:** Previous versions of this document indicated that the minimum rent rule applied to the program based on an FAQ published in 2014. Since then HUD has determined that minimum rent does not apply and has issued a new FAQ. For TRACS 2.0.3.A, software vendors must implement the changed rule. In TRACS 2.0.2.D software vendors are to instruct their clients to pick one of the Minimum Rent Hardship Exemption Codes to force the TTP below $25 when the minimum rent rule would normally apply. If the OA does this, the tenant file should be annotated to indicate what was done and why. The change in the calculation becomes mandatory for software vendors with TRACS 2.0.3.B. CA software vendors will generate an error message for 2.0.3.A certifications that report a TTP of $25 when the TTP should be lower than $25.

Note that the noncitizen rule does not apply to the 811 PRA Demo program.

Under this program a state agency is awarded the parent (CO-OP) contract and sub-contracts (RACs) are issued to the participating OAs. TRACS can only pay assistance on the CO-OP contract, therefore vouchers for the RACs are not to be transmitted to TRACS but rather only from the OA to the state agency and back. The state submits a single CO-OP voucher to TRACS each month using Miscellaneous Accounting Request records of type FORQ to bill for each RAC.

Owner/Agents create their RAC vouchers following the normal rules and instructions outlined in Chapter 6 of the MAT Guide.

State Agency CO-OP Voucher Creation Instructions:

Note: The initial voucher payment process will be different than in the future. Currently, RAC vouchers will be submitted to the PRA 811 demo housing authority and rolled up to a CO-OP voucher. When the CO-OP voucher is submitted to TRACS, it will be put into a suspended status. It will then be reviewed and released manually by HUD. At some point in the furture (pending code changes), MFH would like the RAC vouchers to be submitted and TRACS will handle, as appropriate, per the requirements (as occurs now for vouchers in other programs.)

Aside from differences noted below, all other TRACS voucher functionality and rules apply. In particular, voucher delete transactions may be done as with other vouchers.

The CO-OP voucher may include only RAC vouchers for months equal to or less than the CO-OP voucher month.

Note: A CO-OP voucher must be submitted for each active voucher month even if RAC vouchers are delayed or not submitted. The first CO-OP voucher month is related to the Cutover Date for the CO-OP contract entered in LOCCS. For example, if the Cutover Date is April 18, 2015 then the first voucher must be for April 2015. If there are no RAC vouchers submitted for that month, the CO-OP voucher can either be held until a RAC voucher for that month is submitted or the CO-OP voucher can be submitted for a $0 amount. If a $0 voucher is submitted, any RAC vouchers for April submitted later can be included on a subsequent CO-OP voucher. There must not be any gaps in the CO-OP voucher months.

**Section 2 Record**

The Section 2 Record, fields 7-11 are filled as follows:

Field 7, Total Units in Contract: The total units authorized for all active RACs under the CO-OP contract. This number does not change from month to month unless RACs are added/deleted or the number of authorized units for any of the RACs changes. This number is not impacted by whether or not an active RAC bills for the current voucher month.

Field 8, Number of Units Receiving Subsidy: The sum of the Field 8s for any RAC contracts being paid for a voucher month that matches the CO-OP voucher month (CO-OP Field 4, Voucher Date = RAC Field 4, Voucher Date).

Field 9, Number of Units Abated: The sum of the Field 9s for any RAC contracts being paid for a voucher month that matches the CO-OP voucher month (CO-OP Field 4, Voucher Date = RAC Field 4, Voucher Date).

Field 10, Number of Units Vacant: The sum of the Field 10s for any RAC contracts being paid for a voucher month that matches the CO-OP voucher month (CO-OP Field 4, Voucher Date = RAC Field 4, Voucher Date).

Field 11, Contracted Units Occupied by Market Rent Tenants: The sum of the Field 11s for any RAC contracts being paid for a voucher month that matches the CO-OP voucher month (CO-OP Field 4, Voucher Date = RAC Field 4, Voucher Date).

Note: Since there are different rules applied to Field 7 than for Fields 8-11, the grand total of Fields 8-11 may be less than the Field 7 value. Other fields follow the normal rules.

**Section 6 Record--Miscellaneous Accounting Requests**

One Section 6 Record is submitted for each RAC/voucher month combination being paid on the CO-OP voucher. The FORQ comment field contains the contract number and voucher month in the following format—Contract Number followed by Voucher Month. For example: FL39RDD1201 – 04/2015. This allows for multiple RAC vouchers to be billed on a single CO-OP voucher including multiple voucher months for a single RAC. Only one CO-OP voucher may be submitted for a voucher month. Therefore any RAC vouchers not included on a particular month’s CO-OP voucher are just added to the following month’s submission or submissions.

Under this model, each approved RAC voucher is distilled to a single Misc. Request row of type FORQ on the CO-OP voucher. Field 4 (Misc. Request Amount) is set to RAC voucher Section 2 Field 29 (Total Subsidy Authorized) of the RAC voucher and Field 6 (Paid Amount) is set to Section 2, Field 44 (Total VoucherAmount Approved by a CA) of the RAC voucher.

**TRACS File Data Flow:**

1. OA sends tenant and voucher TRACS files to the state agency.
   1. Note: Since the RAC does not have a Project Number, the rules for MAT15 address records in the absence of a Project Number apply.
2. The state audits the tenant data and sends valid certifications to TRACS under the **RAC contract number** just CAs normally do. The RAC voucher is audited by the state and a final approved payment amount determined.
3. The approved RAC voucher is returned to the OA as is done for other subsidy types under TRACS 202D. **However, this voucher is NOT sent to TRACS**.
4. The payment amounts for each RAC/Month combination are rolled up to the state agency CO-OP voucher as FORQ Miscellaneous Accounting Requests as detailed above. The Section 2 record contract and unit counts are filled as described above.
5. The state agency submits the rolled up voucher to TRACS for payment.
6. Note: The state agency Admin Fee is not dealt with through a TRACS submission. The state agency needs to apply for access to eLOCCS and do an online submission for the fee each month. HUD staff will review and approve the fees.

**Examples of CO-OP Vouchers:** The examples below assume a CO-OP contract with two active RACs (FL39RDD1201 with 10 units and FL39RDD1202 with 6 units).

1. May 2015 CO-OP voucher containing billing only for FL39RDD1201 also for May: 8 subsidized and 2 vacant units. The OA voucher requested amount is $1,200 and the CA paid amount $1,022.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Section 2** | | | | |
| Units in Contract | Units Receiving Subsidy | Units Abated | Units Vacant | Market Units |
| 16 | 8 | 0 | 2 | 0 |

|  |  |  |
| --- | --- | --- |
| **Misc Requests** | | |
| Misc. Request Amount | Comment | Paid Amount |
| 1200 | FL39RDD1201 – 05/2015 | 1022 |

1. May 2015 CO-OP voucher containing billing for both RACs each also for May. First RAC, same as above, second RAC 4 subsidized units, 1 vacant and 1 market. For the second RAC both the requested and paid amounts are the same.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Section 2** | | | | | | | |
| Units in Contract | Units Receiving Subsidy | | Units Abated | | Units Vacant | | Market Units |
| 16 | 12 | | 0 | | 3 | | 1 |
| **Misc Requests** | | | | | |
| Misc. Request Amount | | Comment | | Paid Amount | |
| 1200 | | FL39RDD1201 – 05/2015 | | 1022 | |
| 871 | | FL39RDD1202 – 05/2015 | | 871 | |

1. May 2015 CO-OP voucher containing billing only for FL39RDD1201 but for both April and May. Same unit counts and assistance on each voucher as in Example 1.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Section 2** | | | | |
| Units in Contract | Units Receiving Subsidy | Units Abated | Units Vacant | Market Units |
| 16 | 8 | 0 | 2 | 0 |

|  |  |  |
| --- | --- | --- |
| **Misc. Requests** | | |
| Misc. Request Amount | Comment | Paid Amount |
| 1200 | FL39RDD1201 – 05/2015 | 1022 |
| 1200 | FL39RDD1201 – 04/2015 | 1022 |

### 4.42.2 SPRAC (Senior Preservation Rental Assistance Contract)

SPRAC is a new Section 8 sub-type.

Information about the program can be found here: <http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/presrv/presmfh/mf_sprac>