Chapter 3 TRACS Operating Tips

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Note: In previous versions of the MAT Guide – This was Chapter 4

Note: Handbook references are to HUD Handbook (HH) 4350.3 REV-1, Change 4.

Note: References to RAD are to PBRA RAD. Consumers of this document should be clear that this document is intended for the PBRA programs administered under the Multifamily Housing Division. These rules may not be applicable to the PBV RAD program administered by Public and Indian Housing.

Note: References to the voucher are references to the HUD 52670 and not the PIH Housing vouchers unless explicitly indicated.

Note: State agencies creating and submitting vouchers under the Section 811 PRA program should see Chapter 4: 4.41 for special instructions that apply in addition to those in this chapter.
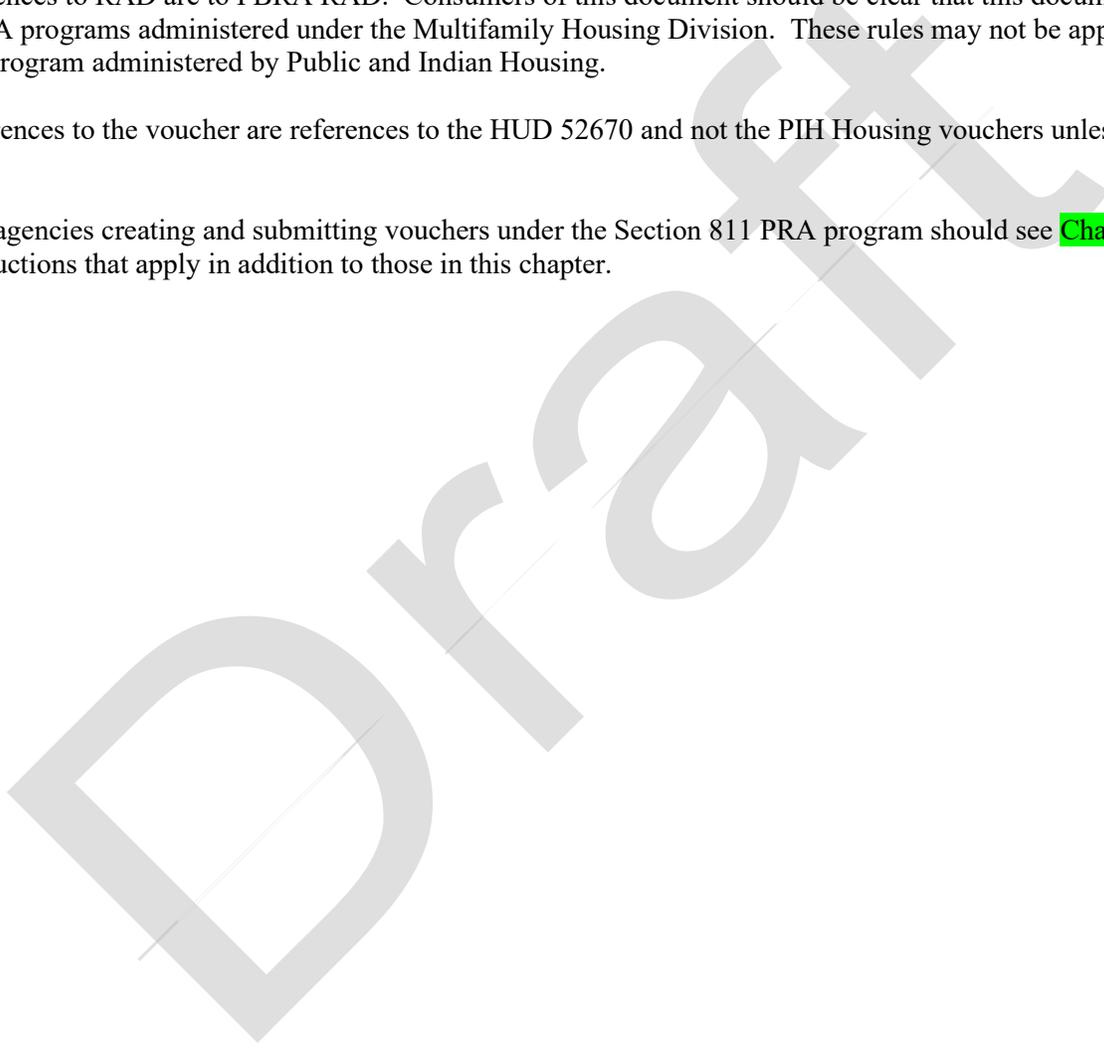
3.1 Introduction to TRACS

The Tenant Rental Assistance Certification System (TRACS) was developed to help improve financial controls over HUD's Multifamily Housing programs.

TRACS collects and stores certified tenant data and subsidy payment vouchers from owners and management agents of Multifamily Housing projects (owner/agents) – either directly from the owners, from organizations acting as subsidy Contract Administrators for HUD, or from service providers/service bureaus who are paid by the project or Contract Administrator to collect, calculate, complete, and submit the data to TRACS on their behalf.

HUD Office staff maintain data on subsidy contracts and contract funding.

3.2 WASS – HUD's Internet Applications

HUD's Web Access Security Systems house multiple databases used to collect information related to occupancy requirements, property ownership and property performance. Owner/agents are required to have access to WASS. Owner/agents are expected to comply with all confidentiality requirements defined by HUD.

The TRACS database allows authorized users (Coordinators and Users) to access summary and status information related to submissions of resident certifications and property vouchers.

Owner/agents should periodically review the TRACS queries to confirm the success of TRACS transmissions (certifications and vouchers). Refer to the "Industry User Guide for TRACS Internet Applications" posted to the TRACS website at https://www.hud.gov/program_offices/housing/mfh/trx/trxsum/trxusrguide for detailed information about each query available in the TRACS database.

3.3 Applicability Multifamily Housing Program Types – TRACS 2.0.3.A

HUD is the overall monitoring agency for all of its Multifamily Housing Programs (MFH) programs. For this version TRACS 2.0.3.A, HUD is providing submission requirements for the following Multifamily Housing Programs:
- Section 236
- Section 8 Project-Based Assistance
    - New Construction
    - State Agency Financed (generally are New Construction or Substantial Rehabilitation projects)
    - Substantial Rehabilitation
    - Loan Management Set-Aside (LMSA)
    - Property Disposition Set-Aside (PDSA)
    - Rental Assistance (PBRA RAD)
    - Rural Housing Section 515 Projects with Section 8 Assistance (RHS Section 515/8)
- Senior Preservation Rental Assistance Contracts (202 SPRAC)
- Section 202 Projects with Section 8 Assistance (Section 202/8)
- Section 202 with 162 Assistance – Project Assistance Contracts (Section 202 PACs)
- Section 202 with Project Rental Assistance Contracts (Section 202 PRACs)
- Section 811 with Project Rental Assistance Contracts (Section 811 PRACs)
- Section 811 Project Rental Assistance Contracts (811 PRA Demo)

Multifamily Housing (MFH) programs are generally subject to the occupancy requirements provided through HH 4350.3 and subsequent Final Rules, HSG Notices and Memorandum. References to the 4350.3, in this MAT Guide, refer to Revision 1, Change 4 published in December 2013.

The guidance in this MAT Guide does not apply to unassisted properties with a Section 221(d)(4) mortgage, the HOME program, or to Public and Indian Housing (PIH) programs.

3.3.1 Rent Supp, RAP, 221(d)(3) BMIR and 236 (Insured)

Rent Supp and RAP contracts have been converted so they are not discussed except where necessary:
- When addressing previous subsidy or historical submissions
- When addressing conversion to PBRA RAD

For guidance pertaining to the Rent Supplement or RAP program, industry stakeholders should refer to previous versions of the MAT Guide available on [HUD's TRACS web page](.).

221(d)(3) BMIR and 236 (Insured) contracts have been completed or converted so they are not discussed except where necessary. References to 236 Programs are specific to 236 noninsured.

For guidance pertaining to the 221(d)(3) BMIR program, industry stakeholders should refer to previous versions of the MAT Guide available on [HUD's TRACS web page](.).

3.3.2 Section 8 Sub-Types

The Section 8 program includes different kinds of Section 8 contracts which are being classified as Section 8 Subtype. The traditional four Section 8 sub-types are
1. New Construction;
2. Substantial Rehabilitation;
3. Property Disposition Set-Aside (PDSA); and
4. Loan Management Set-Aside (LMSA).

HH 4350.3 Change 4 Figure 1-1 also includes
- State Agency;
- Section 202/8;
- RHS Section 515/8; and
- Pension Fund (PF).

HUD uses the Subtypes internally to track certain information specific to different types of Section 8 subsidy; consequently, the Subtypes are not reported on the HUD 50059, the HUD 50059A or the HUD 52670.

3.3.2.1 PBRA RAD (Rental Assistance Demonstration)

The PBRA RAD program is a new Section 8 sub-type. There are multiple components of RAD.
1. Component 1 Public Housing (PH) to PBRA RAD
2. Component 2 Mod Rehab to PBRA RAD
3. Component 2 Rent Supp to PBRA RAD
4. Component 2 RAP to PBRA RAD; and
5. Component 2 202 PRAC.to RAD
6. *Component 2 811 PRAC to RAD

*At the time of release of TRACS 2.0.3.A, HUD has approved and funded RAD for 811 PRAC. There are certain instructions in this MAT Guide to prepare software vendors for RAD for 811 PRAC. At the time of writing, it appears as if the rules for PBRA RAD for 811 PRAC are the same as the rules for PBRA RAD for 202 PRAC other than family eligibility.

While all PBRA RAD contracts are treated like Section 8 contracts, there are certain exceptions to the Section 8 rules specific to each of these PBRA RAD Subtypes.

See Chapter 5 Certification 50059 50059A and Subsidy 52670 Reporting of this 2.0.3.A MAT Guide for information specific to the PBRA RAD program.

3.3.3 202/8 Subsidy Type 11 (Previously a Subtype of Section 8)

With the release of the Housing Opportunity Through Modernization Act (HOTMA), new rules cause HUD to remove 202/8 as a Section 8 subtype. Because certain rules for this contract type are difference from standard Section 8 rules, starting with the implementation of TRACS v 2.0.3.A, the 202/8 contract has been given its own Subsidy Type Number and is no longer classified as a Section 8 Sub-type.

For 202/8, Immediately after conversion to TRACS 2.0.3.A, owner/agents must not submit transactions using Subsidy Type 1 and must use Subsidy Type 11.

3.3.4 202 SPRAC Subsidy Type 10 (Senior Preservation Rental Assistance Contract) (Previously a subtype of Section 8)

With the release of the Housing Opportunity Through Modernization Act (HOTMA), new rules cause HUD to remove 202 SPRAC as a Section 8 subtypes. Because certain rules for this contract type are different from standard Section 8 rules, starting with the implementation of TRACS v 2.0.3.A, the 202 SPRAC contract has been given its own Subsidy Type Number and is no longer classified as a Section 8 Sub-type.

For 202 SPRAC, immediately after conversion to TRACS 2.0.3.A, owner/agents must not submit transactions using Subsidy Type 1 and must use Subsidy Type 10.

The purpose of the 202 SPRAC Program is to prevent the displacement of existing tenants of certain projects assisted under HUD's Section 202 Supportive Housing for the Elderly program in the case of refinancing or recapitalization and to further preserve and maintain the affordability of Section 202 Direct Loan projects.

For purposes of this 202 SPRAC, "Family(ies)" means an Elderly Family as defined by 24 C.F.R § 891.505, or any successor regulation promulgated by the Senior Preservation Rental Assistance program, and may include "Handicapped Families," as defined in 24 C.F.R. § 891.505, depending on the terms of the Owner's original Section 202 Loan.

The 202 SPRAC shall be construed and administered in accordance with the 202 SPRAC Final Notice, announced by Federal Register notice published on July 3, 2013, and posted on HUD's website at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/presrv/presmfh/202 SPRAC_contracts.

Information about the 202 SPRAC program can be found in HUD HSG Notice H 2018-02: "Refinancing of Pre-1974 Section 202 Direct Loans and Subsequent Issuance of Tenant Protection Vouchers (TPVs) or Senior Preservation Rental Assistance Contracts (202 SPRACs)," which supplements Notice H 2013-17 ("Updated Requirements for Prepayment and Refinance of Section 202 Direct Loans"), provides additional guidance to owners of pre-1974 Section 202 Direct Loan properties that have the option of refinancing the Section 202 Direct Loan for the purposes of reducing the interest rate and/or making capital improvements.

There are two 202 SPRAC HAP Contracts.
https://www.hud.gov/sites/documents/202 SPRAC_I.PDF

https://www.hud.gov/sites/documents/202 SPRAC_II.PDF

The contract in use will depend on the date the contract was executed.

At the time of the HUD authorized Section 202 Direct Loan prepayment, 202 SPRAC assistance shall be provided to house currently unassisted families who may be up to Very-Low Income Families.

Any such unassisted tenant household residing in any of the subject project's 202 SPRAC Units may continue to reside there, and the unit shall be eligible for 202 SPRAC payments.

Upon turnover of these 202 SPRAC Units the owner/agent will resume leasing to an eligible Family pursuant to section 2.3 of the 202 SPRAC Contract:

- The owner/agent must restrict successive 202 SPRAC tenancies to Very Low-Income Elderly Families (202 SPRAC Award based on ranking under either Tier One or Tier Two); **or**
- The owner/agent must restrict successive 202 SPRAC tenancies to Low-Income Elderly Families (202 SPRAC Award based on ranking under either Tier Three or Tier Four)

While initial eligibility (for existing unassisted households) is for Low or Very Low-Income households, subsequent MI's will be restricted to either Very Low or Low-Income families depending on the 202 SPRAC Award ranking Tier.

Disabled Families may be admitted depending on the terms of the original Section 202 Loan.

If the owner/agent is temporarily unable to lease a 202 SPRAC Unit or Units to an eligible Family or Families, one or more 202 SPRAC units may, with the prior written approval of HUD, be leased to otherwise eligible families that do not meet the income eligibility requirements. However, those over-income families' rent is 30 percent of their Annual Income, up to the 202 SPRAC rent level.

3.3.5 811 PRA (811 Project Rental Assistance)

The 811 PRA subsidy type has been assigned Subsidy Type 6 for 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.

Note: Previous versions of the MAT Guide 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 to the 811 PRA Demo program 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 were to instruct their clients to pick one of the Minimum Rent Hardship Exemption Codes to allow the TTP to remain below $25 when the minimum rent rule would normally apply. If the owner/agent does this, the tenant file should be annotated to indicate why the Exemption Code was used in this context.

In addition to programmatic requirements of HH 4350.3, Change 4, Paragraph 3-5, at the time of the eligibility determination, eligible applicants must also be disabled, non-elderly (between 18 and 62) individuals that are also eligible for community based long term care via Medicaid or similar services. The family's income must be at or below the Extremely Low Income Limit (ELI) at the time they start receiving housing assistance.

Unlike the 811 PRAC program, for 811 PRA, if the qualifying member leaves for any reason, remaining members are eligible to remain in the unit and receive assistance.

The Noncitizen Rule does not apply to the 811 PRA program.

Under this program a state agency (referred to as the Grantee) is awarded a Cooperative Agreement that is assigned a contract number ending in "RDDXX01", where the XX indicates the Fiscal Year of the awarded grant for the Agreement. This contract number is referred to as the Parent Contract.

Each of the Rental Assistance Contracts (RACs) funded by that fiscal year grant and executed with participating owners are also issued separate contracts numbers ending in "RDDXXYY" format. The "XX" again represents the fiscal year of the grant, but the "YY" for a RAC will never be "01", as that is reserved for the contract between the state agency and HUD. These RAC contracts are referred to as Child Contracts.

For example, if a state agency Cooperative Agreement is awarded through a fiscal year 2019 grant, the Parent Contract number for this Grantee would end in RDD1901. Rental Assistance Contracts (RACs) executed under this fiscal year would be assigned contract numbers sequentially beginning with RDD1902, then RDD1903, and so on.

Unlike other Multifamily contracts, MAT30 voucher files for the RACs (child contracts) are not to be transmitted to TRACS but rather only from the participating owners iMAX ID to the Grantee's iMAX ID and back.

The state Grantee transmits a single voucher (under the Parent Contract number ending in "XX01") to TRACS each month. This Parent Voucher does not contain itemized tenant subsidy listings of requested amounts for each RAC. Instead, the voucher includes FORQ (Field Office Requests) Miscellaneous Accounting Request for the total approved subsidy amount for each "child" voucher month. The Grantee (parent) approves the amount of the FORQ. Multiple months of approved Child Voucher FORQs can appear on the same Parent Voucher submission. However, each month of payment for the RAC must be itemized using a separate FORQ.

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

3.3.6 Multiple Forms of Subsidy

See HH 4350.3 Chapter 5 "Determining Tenant Contribution at Properties with Multiple Forms of Subsidy" for the handbook guidance addressing 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 standard Total Tenant Payment (TTP)/Tenant Rent (TR) is overridden and the lower TTP/TR is submitted to TRACS or a CA, TRACS will generate a number of calculation error messages.

In 2.0.2.D, a Rent Override Flag was added to the certification to indicate situations when the HUD calculations are being ignored or modified (MAT10, Section 2, Field 61 and MAT70, Field 26).

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 rent 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. 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 Rent Overrides so that they can issue more targeted error messages or so that CA staff can determine quickly when an override of normal errors is appropriate.

3.4 TRACS General

HUD's Multifamily Housing division (MFH) uses the Tenant Rental Assistance Certification System (TRACS) to store resident certifications and property Housing Assistance Payment (HAP) Requests (vouchers).

This MAT Guide explains the rules for submission via TRACS version 2.0.3.A.

3.4.1 Funding the Costs of Implementing TRACS

HUD considers the costs of the electronic transmission to be eligible property-operating costs payable from property income.

These costs are also considered property-operating costs for the purpose of processing requests for HUD approval of a rent increase.

Eligible costs include the purchase and maintenance of hardware and/or software, the cost of contracting for those services, the cost of centralizing the electronic transmission function, and the cost of Internet access.

At the owner's option, the cost of computer software may include service contracts to provide maintenance and/or training.

Sources of funds that owners may use to purchase hardware and/or software or to contract with an appropriate service provider may include the following:
- Current property operating income;
- Expense item in processing rent increases (For additional information, refer to HUD Handbook 4350.1, *Multifamily Asset Management and Project Servicing*);
- Loan from the Reserve for Replacement Account. In addition, some purchases are allowable expenses from the Reserve for Replacement Account that can be directly reimbursed and do not have to be structured as a loan; For example, an improvement for hardware or software, in accordance with local, state, and federal regulations, is an allowable Reserve for Replacement expense. (For additional information about a loan from the Reserve for Replacement account, refer to HUD Handbook 4350.1, *Multifamily Asset Management and Project Servicing*.);
- A loan from the Reserve for Replacement Account must be repaid within a five-year period from the release date; and
- Release from the Residual Receipts Account (For additional information, refer to HH 4350.1, *Multifamily Asset Management and Project Servicing*).

Owners may determine that the purchase of hardware and/or software is not cost effective. In such cases, they may contract out the electronic data transmission function to organizations that provide those services. These organizations are generally referred to as Service Bureaus.

3.4.2 HUD Forms – Submitted Electronically

In order to keep the TRACS database "current", electronic versions of HUD Forms are submitted to TRACS (either directly or by a Contract Administrator). Electronic versions of the following HUD forms are used to transmit data from the owner/agent to the TRACS database.

For a majority of Section 8 contracts, owner/agents will submit all transmissions to an assigned Contract Administrator who will forward compliant data to TRACS.

Note: At the time of this writing, a majority of the PBRA RAD program is monitored by HUD and not a Contract Administrator. This is also true for SPRAC, 202 PRAC, 811 PRAC, 236 (uninsured), 811 PRA Demo and 202 SPRAC.

The HUD forms that provide the bases for electronic submissions and primary data feeds to TRACS are:
- o   HUD 50059, Owner's Certification of Compliance with HUD's Tenant Eligibility and Rent Procedures;

- o HUD 50059A, Owner's Certification of Compliance with HUD's Tenant Eligibility and Rent Procedures – Partial Certification;
- o For information on the data requirements for the HUD 50059 and HUD 50059A, refer to the instructions posted with the forms on HUDCLIPS at https://www.hud.gov/program_offices/administration/hudclips/forms/hud5 or the Monthly Activity Transmission (MAT) User's Guide on the TRACS website at https://www.hud.gov/program_offices/housing/mfh/trx/trxdocs
- o HUD 52670, Housing Owner's Certification & Application for Housing Assistance Payments;
- o HUD 52670-A Part 1, Schedule of Tenant Payments Due;
- o HUD 52670-A Part 2, Special Claims Schedule;
- o HUD 52670-A Part 3, Adjustments to Schedule of Tenant Assistance Payments Due;
- o HUD 52670-A Part 4, Misc. Accounting Request for Schedule of Tenant Assistance Payments Due;
- o HUD 52670-A Part 5, Approved Special Claims for Schedule of Tenant Assistance Payments Due
- o HUD 52670-A Part 6—Repayments/Escrows
- o HUD-52671-A through D, Special Claims Worksheets;

These forms are reviewed and approved by the Office of Management & Budget (OMB) and may not be modified except as specifically indicated by HUD.

For all of the forms noted above, when an owner/agent uses site software (including Adobe Acrobat or Word), the owner/agent may remove the OMB Expiration Date.

Information related to Assistance Payments Contracts, Assistance Payments Renewal Contracts, and Contract Rent increases, including contract Exhibit A, Identification of Units and Contract Rents, of the Assistance Payments contracts is also accessed by TRACS for editing/error purposes.

Information about submission of these forms is available in Chapter 6 MAT Tenant System Format Definitions and in Chapter 5 Certification 50059 50059A and Subsidy 52670 Reporting of this MAT Guide.

3.5 Establishing a Property/Contract in TRACS

Each property operating under the Multifamily Housing program, must be established in iREMs. This task is completed by the HUD Account Executive assigned to the individual property.

The owner/agent must work with the HUD Account Executive (AE) in order to ensure proper setup.

Owner/agents must also request an iMAX ID (aka TRACSMail ID) by submitting the TRACSMail ID Request and Registration Form found on HUD's TRACS web site *www.hud.gov/sites/documents/DOC_25275.PDF*.

Owner/agents should, but are not required to, have a separate iMAX ID (aka TRACSMail ID*)* and password for each property/contract. This makes it easier to separate responses and messages from HUD. This also provides a higher level of security of PII and SPII. Owner/agents who transmit information for multiple contracts via a single iMAX ID must comply with guidance provided in HSG Notice 2020-10 Electronic Signature, Transmission and Storage - Guidance for Multifamily Assisted Housing Industry Partners.

The property iMAX ID (aka TRACSMail ID (TRACMXXXX) is the Send from Address entered in site software. If you are submitting directly to HUD, the Send to Address will be TRACMPROD. If TRACS files are submitted to a CA, the owner/agent will need to enter the CA's iMAX ID (aka TRACSMail ID*)* and use that as the Send to Address.

3.5.1 Contract Combinations

Most properties submit a TM (MAT65) to terminate each tenant from the old contract. The Effective Date is the day before the combination date.

The owner/agent should then submit an IC for each tenant, effective on the combination date, to take the tenant to the new contract.

There is no mechanism in place to address retroactive submissions 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.

If certs were submitted with 2.0.2.D then 2.0.2.D rules apply. If certs were submitted with 2.0.3.A, then rules apply.

3.5.2 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 ICs effective on the split date. This ends billing for the old contract and establishes it for the new contract. The ICs 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 the 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.

3.5.2.1 First and Last HAP Vouchers

There are no formal requirements for dealing with first and last HAP Vouchers for 2.0.3.A and later.

What follows are suggestions for handling these cases in the absence of defined rules.

3.5.2.2 First HAP Voucher

Owner/agents must work with the HUD Account Executive and the Financial Management Center (FMC) to get information needed to process the first voucher.

Usually, the first voucher submission will be reviewed by FMC before payment is authorized. This means that an owner/agent should watch for messages directing them to submit an electronic copy of a signed voucher to HUD.

When transmitting a copy of the voucher to HUD (usually by email), the owner/agent must ensure the security of the voucher information by encrypting and password protecting the scanned copy.

3.5.2.3 Last HAP Voucher

With respect to the Last HAP, 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 final HAP.
1. Generate the regular Voucher for the final month of the contract.

2. Create termination transactions effective on the last day the current contract is in effect. **Do not send these certifications until the last voucher receives a P00 message** (Voucher has been forwarded to the treasury for payment) or the compliance percentage will drop below 90% and payment will be suspended.
3. If there are transactions that would normally appear on the next voucher and possibly the voucher after that:
   a. Generate the next voucher
   b. Print and retain the next voucher
   c. Include the total from the next voucher on the final voucher in the form of an OARQ miscellaneous request.
   d. Repeat a-c above if necessary to capture all appropriate transactions.
4. Transmit the final voucher but do not ever transmit the next voucher or the one after 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.

3.5.3 Contract Bifurcation

Pending HUD Guidance.

3.6 Contract Administrators – TRACS

See also Chapter 5 MAT Certification 50059 50059A and Subsidy 52670 Reporting.

Contract Administrators (CAs) assist HUD with monitoring functions for properties with Section 8 & 202/8 Project-Based Assistance contracts. As of the publication date of this Guide, HUD has begun a pilot program to assess the viability of transferring RAD contracts to PBCAs. Up until now, HUD has acted as the Contract Administrator for RAD.

MFH professionals recognize two types of Contract Administrators.
1. Traditional Contract Administrators (TCA)
2. Performance-based Contract Administrators (PBCA)

As the contracts serviced by the TCAs expire, HUD is transferring the contracts to PBCAs. In the near future there will no longer be any TCAs.

In regards to TRACS, once a contract has been assigned to a CA, TRACS will not accept a transmission from the owner/agent.

CAs are responsible for receiving transmissions from the site or from a Service Bureau, editing the transmission for errors and submitting all compliant transactions to TRACS.

It is important that the CA and the owner/agent work together to ensure the integrity of the data in the TRACS database.

3.6.1 Contract Administrator Requirements (7.6)

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.
   1. **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 Parts 1, 2, 3, 4, 5 and 6 with original signatures from the projects they administer.

2. 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.
3. Contract Administrators are not allowed to require electronic submissions from owners that go beyond TRACS data submission requirements.
4. Contract Administrators should submit to HUD throughout the month, certifications/re-certifications that the contract administrator has reviewed and approved.
5. 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 owner/agent. 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.

3.6.2 Contract Administrators & Site Software Compatibility

Both the Site and CA software must be compatible with the current version of TRACS.

Within reason, or unless such action directly conflicts with guidance provided for a particular process, a CA may suspend or refuse to approve AP for a particular resident or a CA may suspend or refuse to approve a particular transaction that appears on a voucher.

For example, if a certification edit discloses a calculation error, TRACS would accept the certification and generate an error. Alternatively, CAs may suspend that certification before forwarding the transaction to TRACS. The CA sends an error to the owner/agent requesting a correction to the calculation. CAs should not suspend the certification if a calculation error results in a deminimus error.

Alternatively, if an owner/agent sends an AP request for a resident during the 13th, 14th or 15th month of a certification cycle, the CA must process and pay that request unless the CA has evidence that a TM or MO effective prior to the AR Due Date is appropriate.

If CA software cannot accept or correctly process a legal transaction because of a TRACS compatibility issue, the CA is responsible for resolving the issue. The rule is that CA software limitations may not dictate what is paid and what is not paid.

If a transaction cannot be processed solely because of a TRACS compatibility issue, and if there are no other problems with the transaction, the CA must ensure that the owner/agent is paid correctly.

There are many areas of the HH 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 (HUD AE or CAOM) to provide clarification based on current or new HUD guidance. If there is a delay in the response, common sense and flexibility, combined with an analysis of what TRACS allows should prevail.

For example, HH 4350.3 discusses full certifications with the same Effective Date as a Unit Transfer (UT) or Gross Rent Change (GR). TRACS does not edit to ensure that a partial certification with the same Effective Date as a full certification are combined. TRACS allows UTs and GRs to be submitted as part of a full certification. UTs and GRs can also be submitted as a partial certification when the Effective Date of the UT or GR is the same as the Effective Date of a full certification. As long as the correct subsidy is indicated, 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 GR as a new, 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, new full certifications may not be submitted--only partials.

For this reason, CAs may not request a set of full certifications in lieu of a traditional baseline consisting of full certifications and any partial certifications effective after the full certifications.

Site software must be able to submit a proper traditional or history baseline in compliance with the rules set forth in this MAT Guide.

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 certification 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.

3.6.3 Contract Administrators Acceptance of Site TRACS Transmissions

CAs must accept all compliant TRACS files that a site transmits throughout the month. CAs must allow for multiple submissions of Tenant Files in any given month. This MAT User Guide indicates that sites should transmit certifications as they are completed.

Even though TRACS allows early transmission, it is best to submit ARs with or in the same month as the appropriate voucher or a later voucher.

For example, while 6/1/2024 AR can be completed and submitted 2/1/2024 or later, it is best if an AR effective on 6/1/2024 is sent by 5/10/2024 with the 6/2024 voucher or with any subsequent 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 AR (MAT10) Effective Date, is submitted after the AR (MAT10) and before the AR Effective Date.

It is permissible, but not suggested, for CA or site software to "hold" those AR certifications until the voucher month.

Note: HUD rules establish the due date for HAP voucher submissions as the 10th calendar day of a month. CAs are not permitted to require submission by an earlier date or condition acceptance of a transmission.

CA software 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.

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.

3.6.4 Contract Administrators - Processing TRACS Submissions

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.

3.6.5 Contract Administrators - Transmitting TRACS Data

Owner/agents who report to a CA must take appropriate action including taking steps to correct and re-transmit certifications rejected by the CA or TRACS.

The CA transmits all non-fatal certifications to TRACS. Because the CA is the mediator between owner/agent transmissions and TRACS, it is the CAs responsibility to ensure that certifications are properly recorded in TRACS unless TRACS issues a Fatal Error.

Owner/agents 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, owner/agents should cooperate with CA requests to retransmit a certification as a correction or as a baseline.

In turn, CAs are required to 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 MO transaction is not recorded in TRACS, submitting a MI 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 may also create problems for owner/agents when they attempt to generate or review required EIV reports.

In this regard, CAs need to be aware of the fact that submitting a retroactive transaction, such as a retroactive GR can cause TRACS to reactivate a previously moved-out household (this happens when the GR Effective Date is earlier than the Move-Out (MAT40) Effective Date but is recorded after the Move-Out (MAT40) 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-MAT10) in TRACS or erroneous Multiple Occupancy Reports (in TRACS) or Multiple Subsidy Reports (in EIV).

CAs 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 MO (MAT40) record, when the correction flag is set, it is necessary for the CA to find a way to ensure that the MO (MAT40) 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.

3.6.6 Contract Administrators - Origination of Data (NEW in 2.0.3.A)

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 owner/agent and the tenant to certify acceptance/accuracy. Lease/contract modification rules apply.

Technical data assists with the facilitation of transmissions between Owner/Agents (owner/agents), 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 owner/agent when the MAT file created by site software is not technically 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 50059 or HUD 50059A. 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.

Currently, Owner/Agents (owner/agents) send certification and voucher data either to Contract Administrators (CAs) or direct to TRACS. By definition, any data sent by the owner/agent to TRACS originates with the owner/agent. However, where a CA is involved, data flows from the owner/agent to TRACS through the CA. CAs are involved in reviewing data for most Section 8 and 202/8 contracts and, in some cases, for Section 236 projects. Owner/agents send data for other subsidy types direct to TRACS.

The question arises whether CAs or any other HUD agent have discretion to modify owner/agent 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. <u>The general principle is that CAs may assist an owner/agent by fixing technical data but only to allow time for the owner/agent software vendor to fix the problem causing the error.</u>
<u>Origination of Data:</u>

HUD Guidance is clear on the responsibility for the correction of errors as indicated in TRACS 2.0.3.A MAT Guide Chapter 6 MAT Tenant System Format Definitions.

3.6.7 Contract Administrators - 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 HUD 50059 or 50059A.

A CA may modify actual certification data to assist in fixing the cert data record to reflect information on the completed certification. The completed certification is the controlling data source.

3.6.8 Contract Administrators - Certification 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 **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

MAT10 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)

Section 2 – Basic Record

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

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

14			Action Processed Code
15		**MOC**	Correction Type Code
117		**MOC**	De minimis Error

Section 3 Family Record: Field 2

2		**M**	Record Number
117		**MOC**	De minimis Error

Section 4 Income Record: Field 2

2		**M**	Record Number

Section 5 Asset Record: Field 2

2		**M**	Record Number

MAT15 Address Records: Fields 2 and 3. 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

MAT40 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

MAT70 Gross Rent/Utility Allowance Adjustment and Unit Transfer records: Fields 2 and 3

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

3.6.9 Contract Administrators - HAP Voucher Data

The voucher differs from the certification in a number of ways. As with the cert, the voucher originates with the owner/agent. When and owner/agent submits to a CA, the CA creates a final "approved "voucher based on an audit of owner/agent cert data. A final "approved" CA voucher may be different in detail than the original voucher transmitted by the owner/agent even though individual line items are based on owner/agent 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, 17-19-21, 35-44, 45-50 and 51-53.

2	**M**		Record Number
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

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

3.6.10 Contract Administrators - The MAT30 Sections 3-7 records.

If the site values are legal (pass MAT edits and contain valid values), CAs 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 owner/agent.

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 owner/agent submitted data.

Owner/agents 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 originate with the owner/agent.

However, an FORQ request will normally not originate with the owner/agent (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 owner/agent is required to include a Miscellaneous Accounting Request on the voucher but fails to do so, the CA may withhold payment until the owner/agent corrects the omission.

For example: Owner/agent subject to the EIV penalty.
If the owner/agent 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 owner/agent Defined data field in the header or any other voucher record.

The CA may help the owner/agent 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.

3.6.11 Contract Administrators - Gross Rent Changes

CAs may not create and transmit GR transactions on behalf of the owner/agent. GR records must be submitted to the CA by the owner/agent.

CA may suggest, but not require owner/agents submit GR records for all residents in a single transmission. CAs must process and pay valid GR transactions even if the GR records do not cover all of the units in the contract.

The site records that pass validations are submitted to TRACS along with the owner/agent 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 based on correctness but may not create and submit GR records generated by a source other than the owner/agent. 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 owner/agent are to be returned to the site per rules established with the release of TRACS version 2.0.2.D.

3.6.12 Contract Administrators - Correction Fields:

In some situations, a submission that is correct and compliant may fail to be recorded correctly in the TRACS database.

In these cases, CAs are free to set the cert correction flag or baseline indicator to ensure that the transaction is recorded successfully in TRACS.

CAs may not modify substantive certification data (cert data) related to the household.

3.6.13 Contract Administrators - Terminations

CAs are to stop paying subsidy with the 16th voucher month submission when any AR is 3 months past due based on the Next Recertification Date on the most recent MAT10.

CAs may not approve the Assistance Payment if the request is for the 16th voucher month. In cases where the AR is late, but TRACS has not recorded a MO, TM or new AR, TRACS will automatically issue an HQ Termination for those households within 90 to 100 days after the AR Anniversary Date.

If a MO, TM or new AR has not been sent and if site software allows the owner/agent to include an Assistance Payment for the 16th month, CAs must reject the voucher. CAs may not create a TM (MAT65) record for the household. The owner/agent must determine if an AR should be submitted with an Extenuating Circumstance Code, if a MO (MAT40) should be submitted or if a Termination/Suspension (MAT65) record should be created and submitted.

See Chapter 5 MAT Certification 50059 50059A and Subsidy 52670 Reporting for additional information.

3.6.14 Contract Administrators – History Baseline Files:

History Baseline files are never sent to TRACS. They are intended solely for OA and CA uses.

When the History Baseline is submitted by an owner/agent 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.

3.7 Establishing Tenant Certification Records in TRACS.

Full certifications (MAT10) include the Initial Certification (IC), the Move-in Certification (MI), the Annual Recertification (AR) and the Interim Recertification (IR). Any correction to a MAT10 record is still a MAT10 record with a Correction Type Code filled.

In order to establish an active tenant record in TRACS, a MAT10 record, effective within the last 15 months, must be transmitted and successfully recorded.

For a new property/new contract, the owner/agent will create MI (MI) (MAT10) certification each time a new resident family moves in. The MI Effective Date is the date the resident takes possession of the unit. See Chapter 5 Certification 50059 50059A and Subsidy 52670 Reporting for information about the prohibition against residents receiving Dual Subsidy.

Typically, when a contract is converted, the owner/agent will transmit an IC (MAT10). The IC Effective Date is normally the effective date of the contract. This is common in situations where PH, Mod Rehab, and RAD for PRAC residents are converted to PBRA RAD contracts but is true in other cases as well.

3.8 TRACS Submission Files

Detailed information about 50059, 50059A and 52670 transactions can be found in Chapter 5 MAT Certification 50059 50059A and Subsidy 52670 Reporting and Chapter 6 MAT Tenant System Format Definitions of this MAT Guide.

TRACS accepts two types of electronic TRACS files:
1. The TRACS Tenant Files
2. The TRACS Voucher Files

TRACS Tenant Files can be sent at any time during the month and include any completed 50059 (full certification) or 50059A (partial certification) transactions.

When submitting directly to HUD (TRACMPROD), owner/agents and Contract Administrators should implement the following "best practice". When creating a TRACS Tenant File, and when there are multiple transactions for a single family, it is best to create multiple TRACS Tenant Files. Multiple certifications for a single family should be submitted in effective date order on separate days.

If an owner/agent is submitting to a Contract Administrator, multiple transactions for a single family may be submitted in one TRACS Tenant File.

TRACS Voucher Files are generally sent once a month and include the request for the Housing Assistance Payment for a given month. A TRACS Voucher File submission may only include one voucher. If a property has "fallen behind" with TRACS Voucher submissions, each voucher must be transmitted in a separate TRACS Voucher File submission.

Multiple Voucher File Transmissions may be sent on the same day. However, if a voucher has been suspended for manual review by HUD (VST53 Error), owner/agents should consult with HUD before submitting multiple vouchers in a single day.

When submitting any transmission, owner/agents (and CAs if applicable) must make sure that all required transactions have been stored in TRACS and that any errors are addressed.

Full certifications provide all required information related to an assistance family. Full certifications are transmitted to HUD via HUD Form 50059 and are referred to as MAT10 records. They include:

- Move-in (MI)
- Initial Certification (IC)
- Annual Recertification (AR) and
- Interim Recertification (IR)
- Corrections to any of the above.

Technically, full certifications are active through the "Next AR Date" plus three months unless a TM or MO has been recorded for the same family/unit. Since residents are required to report for income reviews annually, this means that certifications are active for a total of fifteen months. However, if an owner/agent completes the annual recertification process for all residents at the same time, then the number of months a certification is active could be less than fifteen months.

Example – All ARs Completed in the Same Month

- Miracle Management Company manages the Village - a 202 PRAC property.
- Miracle Management has received permission from HUD to complete all Annual Recertifications in April.
- The Tuckers move in to the Village on December 1.
- Normally, the Next AR date would be December of the following year.
- However, since all ARs are completed in April, the property manager enters April 1 as the next AR date *(Note that this is four months after the MI date)*.
- In this example, the MI certification would remain "active" through June unless a new certification (AR) is submitted.

Partial certifications modify the tenant record stored in TRACS. Partial certifications are transmitted to HUD via HUD Form 50059A. They include:
- MAT40 Move-out (MO);
- MAT65 Termination/Suspension (TM);

- MAT70 Unit Transfer (UT);
- MAT70 Gross Rent Change (GR);
- Corrections to any of the above.

Partial certifications may not be used to change any of the member records including, but not limited to, name, ID Number, income, assets, Special Status Codes, etc.

TRACS will not accept a partial certification unless there is a MAT10 record in TRACS effective earlier than the partial.

A MAT40 Move-out (MO) shows the unit as a vacant unit. The MO effective date is the last day subsidy is paid for the family.

A MAT65 Termination (TM) usually indicates that the unit is still occupied but the family no longer qualifies for subsidy under this contract number. Except for the TM CE used when converting from PRAC to PBRA RAD and TM/OA used when failure to recertify is caused by owner/agent action, Suspension/TM transactions (MAT65) are not valid if the contract type is:

- 202 PRAC
- 811 PRAC

The TM effective date is the last day subsidy is paid for the family. If a Contract Administrator (CA) receives a MAT65 TM transaction for a resident, the CA should understand that the resident may subsequently move-out. Owner/agents are not required to submit a MAT40 MO transaction for a terminated resident. If the owner/agent submits a MAT10 MI transaction or a MAT70 UT/I transaction for a new family, the CA must accept that transmission and assume the terminated family has moved out of the unit.

A MAT70 Unit Transfer (UT) indicates that a family is moving from one unit to another but no family information has changed. The effective date of the MAT70 UT is the first day that subsidy is paid in the new unit. In cases where the MAT70 UT effective date is the same as a MAT10 effective date, no MAT70 is submitted. The UT is included in the MAT10 or MAT10 Correction.

A MAT70 Gross Rent Change (GR) indicates a change to Contract/Operating Rent, the Utility Allowance or both. In cases where the MAT70 GR effective date is the same as a MAT10 effective date, no MAT70 is submitted. The GR is included in the MAT10 or MAT10 Correction. The MAT10 Correction is generally submitted using an Extenuating Circumstance Code discussed in Chapter 6 MAT Tenant System Format Definitions.

A partial certification attaches to the appropriate MAT10 record in effect on the effective date of the partial certification. In the certification query shown below, all of the GR transactions except one (as in the Endicott example) are attached to the certification in effect on the effective date of the GR.

3.9 Monitoring TRACS Submissions – Owner/agent and CA Responsibilities

It is required that both owner/agents and Contract Administrators monitor TRACS transmissions to ensure that submissions are recorded correctly.

It is required that owner/agents address TRACS errors and informational messages.

HUD does not provide guidance specifying when or how often TRACS data is reviewed by the owner/agent. This is monitored at the MOR (See HUD Form 9834).

Monitoring TRACS Voucher and Certification queries ensures that problems are addressed quickly and reduces the risk of FATAL errors, delayed voucher payments and improper payments. It is important to periodically check TRACS to make sure that submissions are recorded correctly.

Doing so:
- Ensures that HUD's information is correct;
- Improves EIV reporting;
- Improves success of subsequent submissions – especially GR submissions;
- Improves overall score on the MOR;
- Allows for quick resolution if HUD's Voucher Processing Division performs a voucher audit.

After sending TRACS Voucher Files, owner/agents and/or Contract Administrators should review the TRACS Voucher Query to make sure transactions have been recorded correctly.

After sending TRACS Tenant Files, owner/agents and/or Contract Administrators should review the TRACS Certification Query to make sure transactions have been recorded correctly.

Review certification submissions from the *TRACS Certification Query*.

Make sure your compliance percentage is at 100%.
Then check the detailed information.
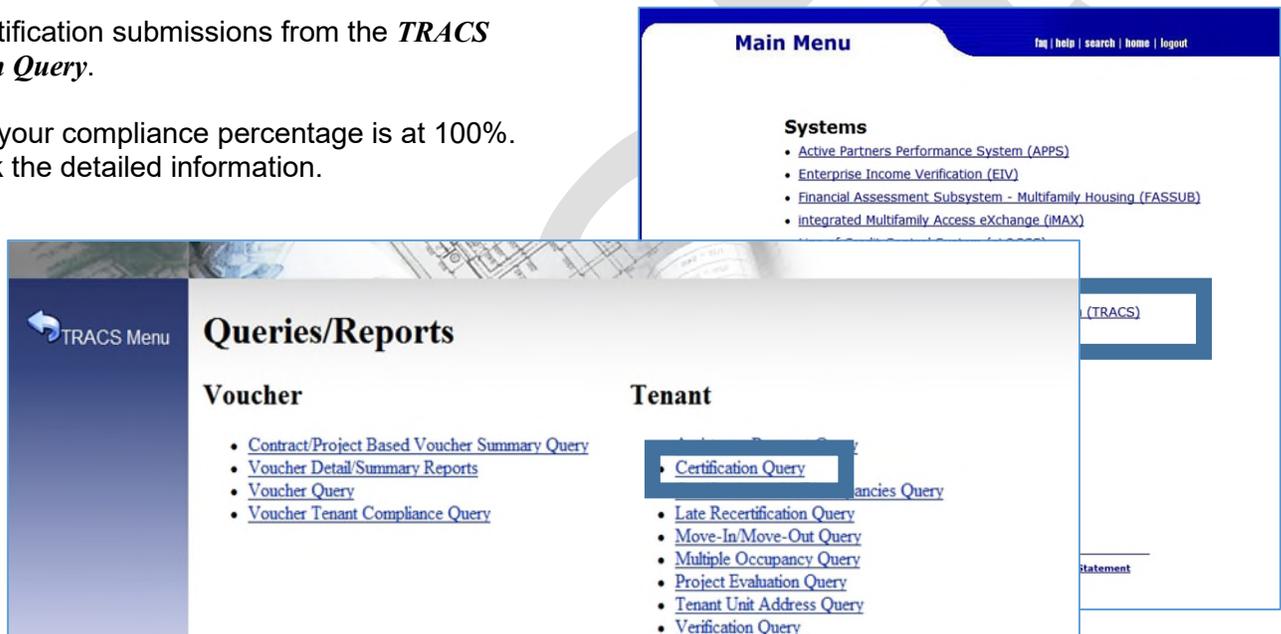
Anyone reviewing the TRACS certification query should to answer the following questions.
- Does the household appear in TRACS?
- Is the household in the correct unit?
- Is the last MAT10 recorded correctly? (right type and effective date)
- Is the last action recorded correctly?
- Is the resident receiving the correct assistance?
- Is the unit Gross Rent correct?
- Is the household active?
- Does the household have unexplained errors?

If this is not the case, you should know why. (e.g., A MI or AR submission resulted in a FATAL error and the certification was rejected).

Showing a certification query reviewed on 3/3/23, note the GR MAT70 is "attached" to the appropriate MAT10 record for each tenant; that is the MAT10 in effect on the effective date of the GR.

U.S. Department of Housing and Urban Development
TRACS Certification List - Report Date 3/3/23

Contract/Project Number: TN51234567B
Subsidy Contract Expiration Date: 12/31/2025
Active Tenant Count/Units: 8/8 (100%)

Select a Tenant Name to view additional certification details. Highlighted rows correspond to Active Tenant Count.

Tenant Name	SSN	Unit Number	Effective Date	Cert Type Code	Action	Action Effect Date	TRACS Process Date	AP	TTP	Annual Income	Adjusted Income	Gross Rent	Status Rent Code	Assist Contract Number	Project or Subsidy Type	Household Member Count	Recent Date	Next Bedroom Count
ANDERSON, A	XXXXX1234	1	11/01/2022	AR	GR	01/01/2023	01/03/2023	$470	$496	$20244	$19044	$906	N	11EEH094	7	1	11/01/2023	1
BARRIMORE, B	XXXX4321	2	11/01/2022	AR	GR	01/01/2023	01/03/2023	$540	$426	$18824	$17052	$906	N	11EEH094	7	2	11/01/2023	1
CLARK, C	XXXXX1111	3	07/01/2022	AR	GR	01/01/2023	01/03/2023	$718	$248	$10032	$9632	$906	N	11EEH094	7	1	07/01/2023	1
DAVIS, D	XXXXX2222	4	04/01/2022	AR	GR	01/01/2023	01/03/2023	$493	$473	$20756	$18938	$906	N	11EEH094	7	1	04/01/2023	1
ENDICOTT, E	XXXXX3333	5	03/01/2023	AR			02/06/2023	$608	$358	$14712	$14312	$906	N	11EEH094	7	1	03/01/2024	1
FLORES, F	XXXXX4444	6	04/01/2022	AR	GR	01/01/2023	01/03/2023	$606	$360	$16333	$14383	$906	N	11EEH094	7	1	04/01/2023	1
GRANT, G	XXXXX5555	7	08/01/2022	AR	GR	01/01/2023	01/03/2023	$724	$242	$10092	$9692	$906	N	11EEH094	7	1	08/01/2023	1
HE, H	XXXXX6666	8	05/01/2022	AR	GR	01/01/2023	01/03/2023	$524	$442	$20025	$17674	$906	N	11EEH094	7	1	05/01/2023	1

For tenant Endicott, HUD, the owner/agent, or the CA can view the certification history for this tenant to ensure the transaction recorded correctly.

A partial certification will receive a FATAL error if there is no MAT10 stored in the TRACS database for that HOH or if there is no MAT10 for the HOH that is effective earlier than the partial certification.

It is also important to understand the concept of sequencing.

U.S. Department of Housing and Urban Development
TRACS Certification History List

Head Tenant Name: ENDICOTT, E

Tenant SSN: XXXXX3333

Project/Contract Number: TN51234567 8

Sorted By: Effective Date

Select a Head Tenant Name to view additional certification details.

Head Tenant Name	Head SSN Number	Unit Number	Effective Date	Seq Num	Cert Type	Action Code	Action Effect Date	TRACS Process Date	AP	TTP	Annual Income	Adjusted Income	Gross Rent	Assist Status Code	Project/Contract Number	Subsidy Type	Previous Contract Number	Next Recent Date
ENDICOTT, E.	XXXXX3333	5	03/01/2023	1	AR			02/06/2023	$608	$358	$14712	$14312	$906	N	00EE021	7		03/01/2024
ENDICOTT, E.	XXXXX3333	5	03/01/2022	2	AR	GR	01/01/2023	01/03/2023	$656	$310	$12780	$12380	$966	N	00EE021	7		03/01/2023
ENDICOTT, E.	XXXXX3333	5	03/01/2022	1	AR			02/10/2022	$609	$310	$12780	$12380	$919	N	00EE021	7		03/01/2023
ENDICOTT, E.	XXXXX3333	5	03/01/2021	2	AR	GR	01/01/2022	01/07/2022	$609	$310	$12780	$12380	$919	N	00EE021	7		03/01/2022
ENDICOTT, E.	XXXXX3333	5	03/01/2021	1	AR			02/05/2021	$578	$310	$12780	$12380	$888	N	00EE021	7		03/01/2022
ENDICOTT, E.	XXXXX3333	5	03/09/2016	1	MI			04/06/2016	$399	$265	$11813	$11413	$684	N	00EE021	7		03/01/2017

Each MAT10 record begins a new sequence. Corrections or the submission of partial certifications increase the sequence of events effecting that certification cycle.

In the example shown, note that:

1. The original 4/1/2021 AR was processed by TRACS on 3/9/2021. This is sequence 1.
2. Then, a correction to the AR was submitted on 8/9/2021. This is sequence 2.
3. Then a GR effective 1/1/2022 was submitted on 1/6/2022. This is sequence 3.

The 4/1 2022 AR was submitted on 6/13/2022. This MAT10 record starts a new sequence.

Note: *Missing ARs in this transaction list does not mean the transactions were not submitted or recorded. TRACS generally maintains the first MAT10 and then shows the last three years' transactions.*

U.S. Department of Housing and Urban Development
TRACS Certification History List

Head Tenant Name: CARRILLO, C.

Head Tenant SSN: XXXXX1234

Project/Contract Number: TN512345678

Sorted By: Effective Date

Select a Head Tenant Name to view additional certification details.

Head Tenant Name	Head SSN	Unit Number	Effective Date	Seq Num	Cert Type	Action Code	Action Effect Date	TRACS Process Date	AP	TTP	Annual Income	Adjusted Income	Gross Rent	Assist Status Code	Project/Contract Number	Subsidy Type	Previous Contract Number	Next Recert Date	Be C
CARRILLO, C.	XXXXX1234	2058	04/01/2022	2	AR	GR	01/01/2023	01/04/2023	$810	$48	$2880	$1920	$858	E		1		04/01/2023	
CARRILLO, C.	XXXXX1234	2058	04/01/2022	1	*AR*			06/13/2022	$770	$48	$2880	$1920	$818	E		1		04/01/2023	
CARRILLO, C.	XXXXX1234	2058	04/01/2021	3	AR	GR	01/01/2022	01/06/2022	$770	$48	$2880	$1920	$818	E		1		04/01/2022	
CARRILLO, C.	XXXXX1234	2058	04/01/2021	2	*AR*	CT	04/01/2021	08/09/2021	$744	$48	$2880	$1920	$792	E		1		04/01/2022	
CARRILLO, C.	XXXXX1234	2058	04/01/2021	1	*AR*			03/09/2021	$730	$48	$2880	$1920	$778	E		1		04/01/2022	
CARRILLO, C.	XXXXX1234	2058	01/01/2019	1	*IC*			10/07/2019	$709	$65	$3560	$2600	$774	E		1		01/01/2020	

If the owner/agent is transmitting to TRACS through a Contract Administrator, then the CA is ultimately responsible for the quality of the transmission. A CA may not refuse to transmit a compliant certification to TRACS.

If a CA fails to ensure the accuracy of the data in TRACS, there is impact on other systems including HUD's Enterprise Income Verification System.

If an owner/agent makes a CA aware that a certification has not been recorded in TRACS as expected, the CA is required to work with the owner/agent to resolve the issue. This is true regardless of whether or not the site has been paid. Failure to resolve TRACS issues may create problems in HUD's EIV System.

3.10 How TRACS Treats Retroactive Certifications

When information is transmitted in the order it occurred, everything works well. However, if a CA or an owner/agent ever has to go back to create a *"retroactive certification"* information may not record as expected.

Retroactive certifications are created/submitted when:
1. Unreported income or other changes need to be addressed so the resident can return any improper payment;
2. The owner/agent must correct an existing certification; or
3. There is an approved retroactive *GR*.

It is important to understand the TRACS concept of sequence. Let's illustrate by an example where all certifications are submitted as indicated:

Sequence	Unit	Cert Type	Effect. Date	TRACS Process Date	Voucher	Subsidy
1	B50	MI	1/1/2024	1/3/2024	February	$400
2	B50	GR	2/1/2024	2/15/2024	April	$420
3	G21	UT	4/15/2024	4/17/2024	June	$480

The *MI* cert is assigned *Sequence Number* 1. The Gross Rent carries *Sequence Number* 2 and the *UT* gets sequence number 3. Assume that the *UT* is into a larger unit, hence the larger subsidy.

All three submissions are considered to be different instances of the same MAT10 certification—the *Move-In* effective on 1/1.

In TRACS, the information would display as illustrated with the most recently recorded transaction appearing at the top of the certification list.

Sequence	Unit	Cert Type	Effect. Date	Action	Transaction (Action) Effective Date	Subsidy
3	G21	MI	1/1/2024	UT	4/15/2024	480
2	B50	MI	1/1/2024	GR	2/1/2024	420
1	B50	MI	1/1/2024			400

Using this example, suppose that the site creates a correction to the MI. Site software will automatically create corrections for partial certifications effective after the corrected certification was effective. In turn, once finalized, the three corrections (MI, GR, *UT*) would automatically be included in the same TRACS Tenant File created by site software.

If you were to go into the TRACS Certification Query and look at the Certification History the day after TRACS processed this TRACS Tenant File, here is what you would see:

Sequence	Unit #	Cert Type	Cert Effective	Action	Transaction (Action) Effective Date	Subsidy
6	B50	MI	1/1/2024	GR	2/1/2024	430
5	G21	MI	1/1/2024	UT	4/15/2024	490
4	B50	MI	1/1/2024	CT	1/1/2024	410
3	G21	MI	1/1/2024	UT	4/15/2024	480
2	B50	MI	1/1/2024	GR	2/1/2024	420
1	B50	MI	1/1/2024		1/1/2024	400

Notice what happens after the correction to the MI, the correction to the GR and the correction to the UT are sent in a single TRACS Tenant File. Need to ask Jerry exactly what would happen here.

The information was received, but processed based on Transaction Type (MAT70) – not Transaction Effective Date.

In this example, the "best practice" would be to:
1.   Send the MI correction (first effective date).
2.   Once that MI CT is recorded correctly, the owner/agent or CA should send the UT correction (second effective date).
3.   Once the UT is recorded correctly, then the owner/agent should send the GR correction.

If an owner/agent is submitting to a Contract Administrator, the owner/agent may submit the transactions together.

The CA submits certifications in such a way as to assure that TRACS successfully records any compliant certification. If a CA chooses to submit Tenant Files "in bulk", CAs must monitor TRACS and address any issues caused by such as submission, in a timely manner, including resubmission of missing certifications if necessary.

3.11 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?"

HUD's Policy Division 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.

First, the original certification must be entered into site software **without change**. Be sure to enter the original certification with its **original voucher date**. Entering the current voucher date will cause problems with the current voucher.

Second, the correction certification is added for the current voucher. Site and CA software can only produce a correct HAP voucher with correct adjustments if it has both the original and corrected certification available.

When sending historical certifications to a CA or TRACS, it is best to submit these certifications as corrections (Administrative Resubmission) to avoid having them fatal as duplicates.

It should be noted that the Historical Baseline specification (see Appendix D Baseline Requirements) helps eliminate such cases when data is being submitted to a CA.

A site reporting to a new CA will be able to send the CA a 5-year history of transactions.

While not required, a CA may 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, disaster or ownership/management change.

TRACS does not accept History Baseline files. See Appendix J for additional information.

3.12 TRACS Errors

References are provided in this paragraph to resources for understanding TRACS and interpreting and correcting error messages and be found in The TRACS 2.0.3.A Errors & Messages Guide. All resources can be accessed through the TRACS website located at
https://www.hud.gov/program_offices/housing/mfh/trx/trxdocs

Except for FATALTRACS errors, the errors reported back to the owner are also available to the HUD Office personnel through TRACS screens. With both owner/agents and HUD Offices equipped with summarized accounts of system-detected errors, inconsistencies in information can be quickly identified and corrected.

When HUD Office and HUD Multifamily Help Desk staff interact with an owner to resolve errors or other problems, the TRACS on-line discrepancy screens are used to look up the tenant data and reported errors.

Multifamily Help Desk personnel, HUD Office staff, and Contract Administrators (CAs) cannot update information in TRACS. Owners must always resubmit their own data to correct errors (either directly to TRACS or through the Contract Administrator as appropriate). HUD Office staff can correct incorrect project/contract numbers in the Contracts database and update funding amounts in the Automatic Renewal and Amendment Management Sub-system database.

Owner/agents are required to address TRACS errors and TRACS messages based on HUD Rules outlined in the MAT Guide. TRACS compliant software gives you the option to *"Receive Messages from HUD or your CA".*

Owner/agents can also retrieve messages directly through *i*MAX by accessing *i*MAX and entering in the property TRACSMail ID and password.

FATAL Errors indicate that the certification or voucher failed a primary edit and was not accepted by TRACS. **These errors must be addressed immediately**.

Discrepancy Messages generally include Action Codes**.** Action Codes indicate how to prioritize the error.
- An **Action Code 1** indicates a certification error that must be corrected **within the next 45 days**. If you are reporting to a Contract Administrator – the CA software may stop a certification before it is transmitted to HUD. Since these errors indicate pretty serious issues, the CA may want the problem fixed before the certification is sent to HUD.
- An **Action Code 2** indicates an error, which must be corrected **with the next transmission**, meaning
  - For certifications, the next time an Interim Recertification or an Annual Recertification is submitted for a resident; or
  - For vouchers, the next time you submit a voucher for this contract.
- An **Action Code 3** indicates that TRACS wants you to take notice of something that you have done - which may or may not indicate an error; but you need to check it out.
- An **Action Code 4** indicates that HUD or the CA may want to check the resident information to address specific concerns – the most common is that the resident may be over-housed or under-housed.

HUD will also send Informational Messages. These messages are HUD's way of helping confirm if an action has been processed. In addition, HUD may send messages to inform you about potential management concerns.

These messages are informational and require no response. However, it is important that owner/agents understand the messages and take additional action if necessary.

While TRACS does not store Fatal Errors or Informational Messages, TRACS stores Discrepancies and allows owner/agents and CAs to view reports that provide information about the Discrepancies.

There are two ways to view discrepancies:
1. Through the Certification Query
2. Using the Certifications with Discrepancies Query

You can check for *Discrepancies* by viewing the Certification Query and noting any certifications surrounded by asterisks. This indicates there is a *Discrepancy*.

TRACS also provides a Certifications with Discrepancies Query that provides owner/agents and CAs with a list of open Discrepancies*.*

Keep in mind that these messages do not "clear" once a correction is sent.

TRACS stores any discrepancy errors generated with a particular certification submission.

3.12.1 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** in Chapter 5 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.

3.13 Baselines – Also See Appendix D

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 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 history baselines it produces. The MAT90 records were optional for owner/agent software in TRACS 2.0.2.D but are now required.

3.14 Unit Numbers

In all cases, save one, throughout the MAT User 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.

3.14.1 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. 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 is best for both CA software and TRACS (and probably also for site software) if site software does not reuse TRACS Unit Numbers for the converted units. Changing unit floor plans (unit types) can create challenges when creating retroactive GRs and the like. Best practice would be to assign a new TRACS Unit Number to the converted unit.

3.15 Rent Overrides

Note: Rent Overrides related to the PBRA RAD program are discussed in detail in Chapter 4.

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 is not to be set when calculated TTP is the same as the TTP Before Override. The only exception to this rule is for Component 1 PH to PBRA RAD. In cases where the resident qualifies for Rent Phase-in, the Rent Override flag is set on the first certification submitted when Rent Phase-in ends.

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 Component 1 PH to PBRA RAD tenant, whose assistance is zero or negative, pays a rent based on LIHTC rules and not the normal HUD rent calculation;
- At conversion, a Component 1 PH to PBRA RAD tenant's calculated TTP is higher than the TTP on the most recent 50058 submitted before conversion to RAD;
- A Component 1 PH to PBRA RAD tenant qualifies for Rent Phase-in;
- A Plan of Action contract is using non-standard rent calculations;
- A 236 tenant in an LIHTC building pays the lower LIHTC rent rather than the 236 rent.

3.16 Market Rate Tenants

For all programs except PRAC and Component 1 PH to PBRA RAD: A market rate tenant is defined as an unsubsidized/unassisted tenant—one who is paying the contract/market rent for the subsidy type.

Generally, a "market rate" resident is not receiving housing assistance. For a majority of the Section 8 contracts (except Component 1 PH to PBRA RAD), when TTP is equal to or greater than Gross Rent (Contract Rent plus the Utility Allowance), these residents pay contract rent and are considered Market Rate tenants.

Housing does not have the authority to require the submission of certification data for Market Rate tenants. Market rate tenants are tenants included in the Market count on the voucher. Such households are not required to recertify unless they want to begin receiving or return to receiving subsidy.

With the exception of MAT15 address records, TRACS is not programmed to accept certification records for Section 8 market rate tenants. TRACS will issue a FATAL error for certifications with zero or negative AP (except for Component 1 PH to PBRA RAD and PRAC contracts).

For PRAC: Section 202 PRAC and 811 PRAC tenants 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.

There is only one termination type allowed for the PRAC program which is CE which is used when converting from PRAC to RAD. Otherwise, all residents are considered "assisted" even if the Tenant Rent equals or exceeds the unit Operating Rent. PRAC residents are always considered "assisted" unless assistance is Suspended to allow for missing AR and for unit rehab.

3.16.1 Submitting Data for Market Rate Tenants

A tenant who changes from subsidized to market rate status MUST be terminated and the TM (MAT65) record (MAT65) must be sent by the owner/agent to TRACS or the CA. The termination will be recorded on the voucher (if applicable for the subsidy type) for one month per the requirements for vouchering.

Note: TMs apply to Component 1 PH to PBRA RAD only when a resident is not compliant. Do not submit a TM for a Component 1 PH to PBRA RAD resident if the calculated AP is zero or negative. In this case, the HUD 50059 is submitted (even when the AP is zero or negative). If AP is negative, the negative request is reversed using a corresponding Miscellaneous Accounting Request Code RADN. See detailed information in Chapter 4.

A tenant who changes from "market" to subsidized status generally MUST qualify for subsidy and an IC MUST be transmitted. HUD policy has confirmed the following guidance for properties where 100% of the units are included in the Section 8 contract:

"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."

"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 property.

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 HH 4350.3 Change 4 Paragraph 3-7*)".*

The new AR date is based on the Effective Date of the IC – not the move-in date.

Note: If the property reviews all ARs on the same date, the new Next AR date would coincide with the property's AR date.

Example – Submission for a Section 8 Market Rate Resident

- During the 6/1 AR process a Section 8 household's income is found to have increased such that subsidy would be $0.
- No AR (MAT10) certification is submitted showing $0 subsidy. Instead, a TM (MAT65) is sent to TRACS effective the day before the recertification date (5/31).
- Six 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 Interim Certification (IC) effective 1/1 and resume vouchering for the tenant.
- The Next AR Date (1/1) will coincide with the effective date of the IC.

Site software vendors are free to code (identify) market rate 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/unit. The Special Claims Guide requires that the MO (MAT40) 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 MO (MAT40) transaction should be effective on the actual move out date if the tenant is moving out.

A MO (MAT40) transaction should be effective on the UT date in the event of a unit transfer.

In both cases, the Head-Of-Household should the same HOH reported on the original termination transaction. For example,

- Resident HOH is John Jones.
- Resident Jones is terminated from Section 8 on 12/31.
- Resident Jones moves to another unit on 1/17.
- Site software should send a MO (MAT40) transaction to TRACS or the CA effective on 1/17 listing as John Jones as the HOH since John Jones was HOH on 12/31.
- The MO (MAT40) transaction will be a Section 8 MO (MAT40) transaction and transmitted under a Section 8 TENHR.

Processing of any MO certifications is dependent on the Next Recertification 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 certification Effective Date through to the next recertification date PLUS 3 months. For example:

- Resident Stevens lives in Unit #1.
- Current certification is effective 8/1/2024.
- Next Recert Date is 8/1/2025;
- If a move-out is submitted with an Effective Date of 12/1/2025.
- TRACS will return a FATAL error the because the MO effective date is greater than the Next Recert Date (8/1/2025) plus 3 months (11/1/2025).

CAs and CA software MUST consider terminated tenants as the equivalent of moved out for occupancy purposes. If a CA receives a MI, IC or UT (In) for a unit previously occupied by a terminated tenant, the CA and the CA software may not reject the MI, IC or UT (In) transaction.

It is 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.

3.16.2 Treatment of Market Tenants on the HAP Voucher

Note: See also 4.20.1 (Billing for All Units) below.

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: This example does not apply to Component 1 PH TO PBRA RAD.
1. Section 236 project with 100% of the units covered by Section 8.
2. The tenant in unit 101 has been terminated from Section 8 because income has risen to the point that subsidy would be 0
3. In such a case, the rules require that the tenant is terminated from the Section 8 program
4. 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)*
5. On the Section 8 HAP, the count of subsidized units will drop by 1 and the count of market units will increase by 1
6. The unit is both 236 and Section 8
7. The tenant subsidy type is 236

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

This calculation is more complex if there is more than one contract or deep subsidy in a 236. 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 owner/agent 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.

These units will appear on the voucher with a first and last name of Market, Market.

3.16.3 Market Tenants in Low-income Housing Tax Credit Communities

HUD policy has ruled that a market rate household is not limited to paying contract/market rent when a Low-income Housing Tax Credit funding program also applies to the unit. The owner/agent is free to charge the Low-income Housing Tax Credit maximum rent if it is higher than contract/market rent. The owner/agent must charge the Low-income Housing Tax Credit maximum rent if it is lower than contract/market rent.

3.17 Households with Tenant-based Vouchers in 236 Projects

HUD policy has ruled that Section 236 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 HH 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.

Transitioning to the new rules: For cases where the owner/agent 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 multiple subsidy.

Use the new OT (Other) TM Code for TRACS 2.0.2.D and later.

Note: *Transition to these new rules should have been completed some time ago.*

3.17.1 236 and Tenant-based Vouchers

For some programs (e.g., Section 236) there are cases where a tenant will move in with a PIH Section 8 voucher and then lose it. If the household moves in with a voucher, no MI cert is sent to TRACS. If the voucher is terminated for some reason, the owner/agent will transmit an Initial Certification (IC) to TRACS to establish the tenant in TRACS.

A tenant may also move in without a voucher and get one later. If the household moves in without a voucher, a normal 236 MI cert is processed and transmitted. If the household later gains a voucher, the household is terminated.

3.18 Excess Income Reports

See HUD Handbook 4350.1, paragraphs 7-27 and 7-28. <mark>Chapter 9</mark> of the former HH 4350.3 Rev 1, Change 3 contained the following language indicating that excess income should be reported *"For each unit that does not receive 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.