



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention:

Housing Choice Voucher Program
Administrators; Public Housing
Field Office Directors; Section 8
Financial Management Center

NOTICE PIH 2015-22 (HA)

Issued: December 16, 2015

Expires: Effective until amended, superseded,
or rescinded

Cross References:

Notice PIH 2012-11 (HA)

Notice PIH 2010-39 (HA)

Notice PIH 2007-6 (HA)

Notice PIH 2001-25 (HA)

Subject: Process for Public Housing Agency Voluntary Transfers and Consolidations of Housing Choice Vouchers, Five-Year Mainstream Vouchers, Project-Based Vouchers and Project-Based Certificates

1. Applicability. This notice applies to public housing agencies (PHAs) that administer the Housing Choice Voucher (HCV), Project-Based Vouchers (PBV) and/or Project-Based Certificates/(PBC) and Five-Year Mainstream (MS5) programs. This notice does not cover the public housing program or the Section 8 Moderate Rehabilitation (Mod Rehab) program. Please note that MS5 vouchers have not been included in prior notices; however, these vouchers are now included in HCV funding appropriations, but are still reported separately under section 14.879 (mainstream Vouchers) of the Catalog of Federal Domestic Assistance.

2. Purpose. The purpose of this notice is to clarify the circumstances under which HUD will consider a **voluntary transfer** or **consolidation** of budget authority (including restricted net position (RNP), unrestricted net position (UNP) and other capital assets)¹ and corresponding baseline units for the HCV program (including PBVs, PBCs and MS5) from the divesting PHA's Consolidated Annual Contributions Contract (CACC) to the receiving or consolidating PHA(s)' CACC. In a **voluntary transfer** one PHA's identifying number and CACC remains intact. In a **consolidation**, both or all of the PHAs' names, CACCs and identifying numbers will be permanently terminated and replaced by a new PHA with a new name, identifying number and CACC.

3. Eligibility for HCV Transfers and Consolidations. All transfers and consolidations will be permanent and for the entire balance of one PHA's HCV program to one or more receiving PHAs. The transfer or consolidation must be between PHAs within the same metropolitan area, within the same non-metropolitan county, or within the same state where the HCV program administration is

¹ Restricted net position (RNP) and unrestricted net position (UNP) are the new accounting terminology for net restricted assets (NRA) and unrestricted net assets (UNA), respectively, based on GASB #63.

voluntarily shifted from a city or county PHA to its state PHA or from a state PHA to one or more of its county or city PHAs. All the divesting and receiving or consolidating PHAs are bound by fair housing requirements, including the responsibility to affirmatively further fair housing and to reduce racial and national origin concentrations. No transfers may be permitted to a PHA with a troubled Section 8 Management Assessment Program (SEMAP) performance designation, nor may transfers be permitted where a receiving PHA has failed to comply with corrective action plans to address financial or program audit findings related to the HCV program. No transfers will be permitted to a receiving agency that does not currently administer the Section 8 program.

4. Exceptions to Eligibility for HCV transfers. The Department will consider approving voluntary partial transfers only in the following cases: (1) the transfer is for the purpose of developing PBV units in an area of low poverty concentration; (2) the transfer is to a state or regional PHA; or (3) for a compelling business reason. These exceptions do not apply to consolidations.

5. Application Process for Transfers and Consolidations. At least 90 days before the requested effective date of the voluntary transfer or consolidation, both the divesting and receiving PHAs must submit letters to their respective field offices indicating agreement upon the part of the PHAs of the transfer or consolidation and the date upon which the PHAs would like the transfer to occur. The divesting PHA's letter must also include their reason for requesting this transfer. All transfers must have an effective date of either January 1st or July 1st of a given calendar year (CY). **No transfers or consolidations may be retroactive.** The letters must be signed by their respective Executive Directors with an accompanying board resolution. If the PHA is a unit of local government, the appropriate authorized official must sign the letter.

6. Renewal and Administrative Fee Funding Amounts for Units Transferred or Consolidated and Equity Balances. At the time of the transfer or consolidation, the divesting PHA(s) must transfer to HUD, the total budget authority on hand and accumulated RNP. The divesting PHA must contact its Financial Analyst at the FMC to identify the method of payment to HUD. However, the divesting PHA's available administrative fees and UNP must be transferred to the receiving PHA to ensure continuity of assistance to transferred families.

While considering the transfer of UNP to the receiving/consolidated PHA, the Field Office will ensure the divesting PHA has properly procured and entered into a contract with an independent public accountant to conduct its close-out audit², and has the funds available to cover it. Or, in compelling circumstances, the divesting PHA's available administrative fees and UNP will be transferred immediately to the receiving/consolidated PHA and the Field Office may request the receiving/consolidated PHA to hold funds in escrow to be released by the receiving/consolidated PHA to the divesting PHA (or the auditor) upon HUD's acceptance of the divesting PHA's audit. HUD may assign extraordinary administrative fees (EAF), subject to availability of funds and justifiable circumstances, from the Administrative Fee set-aside funds to cover close-out audit costs, and may conduct a final close-out or forensic audit of a divesting PHA, either prior or following to the transfer/consolidation. The Field Offices must contact the Housing Voucher Financial Management Division at PIH.Financial.Management.Division@hud.gov to confirm availability of EAF; however, the divesting PHA's available administrative fee, UNP, and/or other non-federal funds must be considered first and restricted for this purpose.

²For a PHA under the single audit threshold, a close-out audit would consist of an Independent Public Accountant (IPA) validating the ending balances prior to transfer.

Administrative fees earned and disbursed to the divesting PHA(s) during the months not yet reconciled by the time of the transfer or consolidation (whether an underpayment owed to the PHA or an overpayment owed HUD), will be provided (or offset) to the receiving or consolidating PHA(s) based on the divesting PHA(s)' rates. For subsequent years the renewal funding and administrative fee calculations will be considered based on the receiving or consolidating PHA's eligibility and leasing reported, respectively, subject to the mandates of the Appropriations Bill for that year.

If the divesting PHA(s) owes money to HUD (such as RNP used for other purposes), these funds must be repaid to the HCV account prior to the transfer, either from the PHA's non-federal funds, insurance or UNP. When neither is available, and compelling reasons exist to ensure uninterrupted housing assistance to families, the transfer or consolidation will be processed. Funds owed to HUD could include executed repayment agreements and audit findings involving money due for which a management decision has not yet been rendered. No receiving PHA(s) will be responsible for a divesting PHA's debts.

7. Special Purpose Vouchers. Any special purpose vouchers (HUD-Veterans Affairs Supportive Housing (VASH); Family Unification Program (FUP); Non-Elderly Disabled (NED) and Five-Year Mainstream (MS5) vouchers must be maintained and accounted for as such by the receiving PHA(s) or consolidating PHA.

8. Recommendation to Headquarters. No later than 30 days after the receipt of the documents referenced in section 5 of this notice, the field office will complete its review of the transfer or consolidation documents. If the field office determines that the request is unacceptable, the Public Housing Director will submit a written notice to the PHA. If the field office determines that the request is acceptable, the Public Housing Director will prepare a memorandum to the Housing Voucher Financial Management Division Director within that same 30 day period and at least 60 days prior to the requested effective date with the following information:

- (1) name and code of the divesting and receiving or consolidating PHA(s);
- (2) the requested effective date of the transfer or consolidation;
- (3) the number of HCVs that will be divested to each receiving PHA or combined into the new consolidated PHA;
- (4) confirmation that the field office's legal counsel has provided their jurisdictional approval, agreeing that the receiving PHA has the legal authority to administer the program within their jurisdiction;
- (5) the number of leased vouchers; and
- (6) the number of special purpose vouchers or programs by category (HUD-VASH, FUP, NED, FSS, MS5, Mod Rehab and Single Room Occupancy (SRO)) that will be divested to each receiving PHA or combined into the new consolidated PHA. If the Public Housing Director does not have information on the number of special purpose vouchers of the divesting PHA(s), he or she may contact the respective Financial Analyst at the Financial Management Center for assistance, or you can send an email to the Housing Voucher Financial Management Division, at PIH.Financial.Management.Division@HUD.gov.

The financial management division reserves the right to close-out incomplete transfers in cases where a request has been made, but the field has neglected to provide all information and documentation necessary to complete the review within 30 days of the request. In these cases, an email will be sent to the field office contact informing them that the review could not be completed

within the 30 day window due to the absence of necessary information and that the transfer will have to be resubmitted once all the necessary information has been collected.

Additionally, the field office will provide the details to headquarters on a number of factors they consider in determining whether to recommend approval of the transfer to the receiving PHA(s) or consolidation including:

- (1) the receiving or consolidating PHAs' most recent SEMAP performance designation;
- (2) under utilization based on the receiving or consolidating PHAs' SEMAP leasing indicator regardless of performance;
- (3) outstanding debts to HUD and the status of the divesting, receiving or consolidating PHAs' repayment; and
- (4) estimated RNP and UNP balances as of the latest audited Financial Assessment Subsystem (FASS) submission, and restricted cash and investments for all divesting or consolidating PHAs as determined by the field office.

A checklist including all the documentation the field must provide within the transfer request to headquarters is included as Attachment 1. All the additional information the field must provide to headquarters with the transfer request is included as Attachment 2 to this notice.

The field must complete and sign Attachment 2 and submit it along with all the documents listed in Attachment 1. All the required information and documentation for the transfer/consolidation request must be uploaded to the FYE/Consolidations/Transfers SharePoint site, <http://hudsharepoint.hud.gov/sites/reac/FYE/Fiscal%20Year%20End%20Request%20Upload/Form%20s/AllItems.aspx>. For instructions of how to upload documents to the SharePoint Site: Select “**Guidance**” under “**Documents**” on the left side of the webpage then select the “**HCV Transfer Information File**” to find the “**HCV Transfer and Consolidation Requests – Instructions for Upload to SharePoint**”.

Finally, all transfers and consolidations are considered permanent. PHAs will not be able to decouple from the transferred or consolidated entity to reinstate a former program or PHA.

9. Approval Notification. To the extent possible, the Financial Management Division (FMD) will approve requests for transfers or consolidations within 30 days of receiving all the required information and documentation necessary to determine if the transfer or consolidation is approvable. Once the FMD in Headquarters has approved the transfer or consolidation, the Real Estate Assessment Center (REAC) and the Public Housing Field Office and Financial Management Center (FMC) Directors will be notified through an email including the signed transfer approval memo. The Public Housing Field Office Director will notify the respective PHAs of the approved transfer or consolidation of HCV budget authority and units. The FMC will prepare and transmit the requisite amendments to the CACC of all affected PHAs including a new CACC in the case of a consolidation. Finally, the REAC will move participants from the divesting PHA to the receiving PHA and will update HUD PIH systems.

10. Owner and Tenant Notification. No later than 30 days after approval notification, the receiving or consolidated PHA must notify owners and participants of the transfer; however, no notifications should be made prior to the field office's receipt of the signed approval memo from headquarters.

11. HAP Contracts. New HAP contracts must be executed with the existing owners reflecting the name of the receiving or consolidated PHA, no later than at the family's next annual recertification. No other changes to the HAP contracts will be required.

12. Receiving or Consolidated PHA Management Responsibilities. At the time of the family's next annual recertification, the receiving or consolidated PHA may apply its occupancy and subsidy standards and any other applicable administrative policies. However, if the payment standards of the receiving or consolidated PHA are lower than those of the divesting PHA(s), the receiving or consolidated PHA must maintain the higher payment standard for the family until its second annual reexamination in accordance with 24 CFR § 982.505(c). In addition, the receiving or consolidating PHA must honor all reasonable accommodation waivers and exceptions. If there are issues with the reasonable accommodation waivers or exceptions, they should be addressed with the field office.

13. Public Housing Information Center (PIC) Data. The REAC will complete the transfer or consolidation of all Family Reports (form HUD-50058) in PIC, so that all affected families will be recorded under the receiving PHA's code or consolidated PHA's new code with the last action code (field 2a on the Family Report) that was entered by the divesting PHA.

15. Voucher Management System (VMS) Data Entry. Starting with the effective date of the transfer or consolidation, the receiving or consolidated PHA will begin including the transferred or consolidated units for the applicable month in its next VMS submission. Conversely, the divesting PHA(s) will stop including any divested units starting with the effective month of the transfer.

16. HUD Self-Reported Systems. PHAs that are transferring or consolidating will be responsible for submitting their individual financial statements through FASS and other financial or program data to self-reported HUD systems, such as VMS and PIC, for periods prior to the effective date of the transfer or consolidation.

17. PBV and PBC Units. All provisions in sections 1 through 16 will apply. However, PBV and PBC HAP contracts must be executed as soon as possible between the receiving or consolidated PHA and the owner with the expiration date and all terms and conditions unchanged. The field office will consider whether the receiving or consolidated PHA has the capacity to manage assistance under the PBV and PBC programs.

18. Information Contact. Inquiries about this notice should be directed to your field office Public Housing Director or Financial Management Center representative.

19. Paperwork Reduction Act. The information collection requirements contained in this document have been submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1955 (44 U.S.C. 3501-3520) and assigned OMB control number 2577-0169. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

_____/s/_____
Lourdes Castro Ramírez
Principal Deputy Assistant Secretary
for Public and Indian Housing