

CHAPTER 1. INTRODUCTION

- 1-1. PURPOSE. The purpose of this Handbook is to set forth administrative requirements which subsidy contract administrators--HUD, Public Housing Authorities (PHAs) and State Agencies--must follow and to provide guidance and procedures for:
- A. Subsidy contract administrators in monitoring owners whose projects have insured, coinsured, Section 202 direct loan, HUD-Held, or non-insured mortgages and are subsidized under the following programs:
1. Section 8 Loan Management Set-Aside
 2. Section 8 Property Disposition Set-Aside
 3. Section 8 New Construction and Substantial Rehabilitation
 4. Section 8 515/8 Farmers Home Administration
 5. Section 236 Interest Reduction Payments for Rental Projects
 6. Section 221(d)(3)(BMIR)
 7. Rent Supplement
 8. Rental Assistance Payment (RAP)
 9. Section 8 State Housing Agencies
 10. Section 202 Projects for the Elderly or Handicapped :
 11. Section 202 Nonelderly Handicapped Families and Individuals
 12. Project Rental Assistance Contract (PRAC)
 13. Project Assistance Contract (PAC)
 14. Flexible Subsidy Program for Troubled Projects

- B. HUD Field Offices, where HUD is not the contract administrator, in monitoring and evaluating subsidy contract administrators' supervision of the owner's on-going management of the project and compliance with applicable laws, regulations, and other administrative

requirements.

UNLESS OTHERWISE NOTED, THE TERM CONTRACT ADMINISTRATOR AS USED IN THIS HANDBOOK REFERS TO BOTH HUD AS CONTRACT ADMINISTRATOR AND STATE AGENCY/PHA AS CONTRACT ADMINISTRATOR.

- 1-2. BASIC REFERENCE MATERIALS. The instructions in this Handbook must be used in conjunction with the instructions and administrative requirements, where applicable, as contained in
- A. HUD Handbook 4350.1, Insured Project Servicing, where applicable.
 - B. HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs.
 - C. HUD Handbook 4350.2, Loan Management Set-Aside Program
 - D. HUD Handbook 4370.1, Rev-1, Reviewing Annual and Monthly Financial Reports.
 - E. HUD Handbook 4370.2, Financial Operations and Accounting Procedures for Insured Multifamily Projects
 - F. Contract documents, including Annual Contributions Contract; Agreement to Enter into Housing Assistance Payments Contract; Project Assistance Contract; Interest Reduction Contract; Agreement for Interest Reduction Payments; Rent Supplement Contract; Rental Assistance Contract, and Housing Assistance Payment Contract.
 - G. Applicable regulations including, but not limited to: 24 CFR Parts 215, 219, 236 (Subparts C and D).
- 1-3. LEGAL AND REGULATORY AUTHORITY. The contract administrator must assure, in conjunction with the appropriate discipline in the HUD Field Office, that the project owners meet the applicable program requirements cited in:

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- A. 24 CFR Part 880, Section 8 Housing Assistance Payments Program for New Construction.
 - B. 24 CFR Part 881, Section 8 Housing Assistance Payments Program for Substantial Rehabilitation.
 - C. 24 CFR Part 883, Section 8 Housing Assistance Payments Program for State Housing Agencies.

- D. 24 CFR Part 884, Section 8 Housing Assistance Payments Program, New Construction Set-Aside for Section 515 Rural Rental Housing Projects.
- E. 24 CFR Part 885, Subpart B, Loans for Housing for the Elderly and Handicapped
- F. 24 CFR Part 886, Section 8 Housing Assistance Payments Program for Special Allocations.
- G. 24 CFR Part 889, Supportive Housing for the Elderly
- H. 24 CFR Part 890, Supportive Housing for Persons with Disabilities
- I. 24 CFR Part 215, Rent Supplement Payments
- J. 24 CFR Part 219, Flexible Subsidy Program for Troubled Projects
- K. 24 CFR Part 236, Mortgage Insurance and Interest Reduction Payment for Rental Projects, Subpart D - Rental Assistance Payments.
- L. 24 CFR Part 221, Low Cost and Moderate Income Mortgage Insurance.
- M. 24 CFR Part 35, Lead-Based Paint Poisoning Prevention in Certain Residential Structures, including 881.207 in Substantial Rehabilitation projects, 883.310 in State Agency projects, and 24 CFR 886.113 for all new Section 8 LMSA units.
- * N. The Fair Housing Amendments Act of 1988; Title VI of the Civil Rights Act of 1964; and, Executive Order 11063, which protects the civil rights of applicants and tenants in Federally assisted projects. If the contract administrator questions the project owner's

compliance, the matter must be referred to HUD FHEO for further investigation.

- O. Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination in housing programs on the basis of handicap and requires all programs and activities related to housing to be administered in a manner to affirmatively further fair housing and hiring practices. Where there is evidence or questions that

project owners are not in compliance, the contract administrator must refer the matter to the HUD Field Office, Fair Housing and Equal Opportunity (FHEO) Division.

1-4. OBJECTIVES. The objectives of monitoring the performance of project owners and the subsidy contract administrators are to ensure that:

- A. The contract administrator and project owner are complying with applicable laws, regulations, contracts, and other legal agreements between the Department and the contract administrator, and between the project owner and the contract administrator related to the administration of various HUD subsidies.
- B. The contract administrator is providing the appropriate supervision to owners and management agents in the operation of HUD-assisted projects.
- C. The owner is providing decent, safe, and sanitary housing to the assisted tenants.
- D. The contract administrator is taking the necessary steps to prevent the opportunity for fraud, waste, and mismanagement in the operation of the project.
- E. In Section 236 non-insured and Rent Supplement non-insured projects (in State Agency projects, the State Finance Agency is both the contract administrator and the mortgagee),
 - 1. there is a mortgage and an eligible mortgagor,
 - 2. proper payment of subsidy is made,
 - 3. appropriate repayment of excess income,

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- 4. project owner is providing decent, safe, and sanitary housing, and
- 5. there is compliance with occupancy rules, the terms and conditions of subsidy contracts, and recertification requirements.

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