

Comparative Analysis Matrix

Work Request 112, Amendment 10

June 10, 2004

Change History

Rule No. & Name	Change	Date of Change
N/a	Issued Draft version of Comparative Analysis Matrix for review by Housing.	05/04/2004
REC-001.00 Statutory and Regulatory Complexity	An example was added to the <i>Simplify Forms</i> recommendation.	06/10/2004
Rec-003.01 TRACS Deficiencies	<p><u>Funding</u> Delete issue and associated Recommendation from the matrix.</p> <p><u>Integration Between Tenant and Voucher Processing</u> Deleted the phrase "Fund the work necessary to" from the recommendation.</p> <p><u>Correcting Dates and/or Types of Transactions</u> An example was added to the recommendation for clarity.</p> <p><u>Provide for a Delete Mechanism</u> Extend the recommendation to read, "Provide for a delete mechanism with appropriate accountability." It was noted that TRACS has this option in a prior Industry Spec.</p>	06/10/2004
REC-004.00 Contract Administration	Modified the recommendation to read, "Provide a uniform set of rules for this work so that all Contract Administrators are held to the same standards."	06/10/2004
REC-005.01 Project	Deleted the word "Forbid" from the recommendation.	06/10/2004
REC-005.02 Contract/Subsidy Type	<p><u>Duplicate and Multiple Identifiers</u> Indicated that the recommendation requires legislative approval.</p> <p><u>Contract Merges</u> Added recommendation for the following: Pre- to - pre AND Post - to - post.</p> <p><u>Contract Splits</u> Deleted issue and recommendation from matrix.</p>	06/10/2004
REC-005.04 Household	Modified to recommend verifying SSN against the three national credit bureaus.	06/10/2004
ELG 003.02 Timing of Income Eligibility	An example was added for clarity.	06/10/2004
ELG-003.15 Reporting Income Exceptions for Section 8	Added a waiver code of DSBL to cover a waiver for a non-disabled person to move into a property designated for the disables. (DSBL will be added to the Field 87 in the MAT10, Section 2 record.)	06/10/2004
ELG-004-00 Disclosure of Social Security Numbers	Added the following recommendation: " Generate a fatal error on an MI or IC if any member,	06/10/2004

Change History

Rule No. & Name	Change	Date of Change
	age 6 or greater, has an invalid SSN; however, this recommendation does not apply to the following: Households with subsidy type 0; Relationship code F or L."	
ELG-007.01 Prohibition Against Delay of Assistance	Deleted second paragraph concerning retroactive assistance modifications from the recommendation.	06/10/2004
RNT-003.02 Child Care Deduction	Deleted the first paragraph from the recommendation.	06/10/2004
RNT-005.8Rent in Group Homes	Deleted the recommendation concerning "Residential Spaces."	06/10/2004

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Chapter 1. Executive Summary

The Comparative Analysis Matrix, produced under Work Request 112, Amendment 10, identifies the business rules contained in HUD Handbook 4350.3 Rev 1 that impact funds control and automated systems such as TRACS and owner and contract administrator software. TRACS business rules related to the Handbook are summarized and any discrepancies noted. In addition, Matrix chapters 14 and 15 delineate TRACS business rules having to do with system integrity and processing that are unrelated to the Handbook. Where applicable, recommendations for change are presented. In some cases the recommendations are to implement longstanding Handbook rules that were never made part of TRACS, in others, to implement new or revised Handbook guidance, and in still others, to consider changes to the Handbook or TRACS.

The analysis of the Handbook resulted in the identification of many areas where handbook language is unclear or does not go into enough detail to serve as a basis for software development. In other words, the Handbook is not adequate as a requirements document. Such areas are noted throughout the Matrix with the words “COMMENT: Clarification needed:” or “Clarification needed.” These cases constitute a barrier to correct and accurate software. At such time as clarification is provided, there will undoubtedly be a need for further analysis and recommendations for change in TRACS and vendor software.

The Handbook, a decade after the birth of TRACS and the requirement for mandatory automation, strongly reflects its heritage as a repository of guidance for paper forms and manual processes where unusual situations could be annotated with a marginal note on a form and where reviewers could correct errors on the fly. In order to complete the move to an e-government model, it is essential that a complete set of requirements organized around processes and process flow be produced.

Some in the industry have commented that the Handbook is an 800-page document with instructions concerning a one-page certification and an invoice based on the certifications. The length of the handbook, in large part, is caused by the accretion of rules and regulations over decades and by the need to support eight distinct subsidy types. Anything that can be done to reduce the complexity of what TRACS and vendor software have to implement can only result in greater reliability and lower cost. Simplification will also reduce the costs of training site managers and other personnel and make the jobs of contract administrators and other auditors more straightforward.

We note, with chagrin, that the original design for TRACS, as an integrated system capable of paying vouchers based on the certifications in its database, has never been

realized—a victim of lack of funding. It is essential that the software systems developed after Business Process Reengineering are adequately funded.

What follows is a matrix containing a summary of recommendations organized by the rule number in the Comparative Analysis Matrix. To find full discussion of any recommendation along with the Handbook context, consult the table of contents where rules are listed sequentially by type.

Matrix of Recommendations

Rule Number	Recommendations
REC-001.00	Statutory and Regulatory Complexity Seek statutory relief. Simplify Rent Determination. Convert RAP and Rent Supplement contracts to Section 8. Convert 202/162 PACs to PRACs. Eliminate retroactivity. Consider eliminating interim recertifications as is done in PIH. Simplify Forms.
REC-002.00	Handbook Deficiencies Coordinate Handbook Rules and software requirements.
REC-003.00	Required Automation for Certifications and HAP Voucher Billing. Establish a single authoritative data repository. Establish a formal source for guidance for software developers. Require data transmissions for market rent tenants. Require all TRACSMail users to have secure system (WASS) access. Pay HAP vouchers in arrears instead of in advance.
REC-003.01	TRACS Deficiencies

Rule Number	Recommendations
	<p>Replace TRACSMail with a web accessible transmission method.</p> <p>Change to a processing model based on effective dates rather than certification dates.</p> <p>Redesign the edits and messages needed to properly enforce handbook rules.</p> <p>Issue proper documentation for the edits so that software vendors can implement similar ones.</p> <p>Provide a method for correcting certification effective dates and types.</p> <p>Provide for a certification delete mechanism with appropriate accountability.</p> <p>Fund and generate adequate program documentation.</p> <p>Establish real-time processing.</p> <p>Remove the CICS dependency.</p>
REC-004.00	<p>Contract Administration</p> <p>Provide a uniform set of standards for Contract Administrator work.</p> <p>Seek legislative authority to allow performance based contract administrators to work with the entire multifamily portfolio—not just with Section 8.</p>
REC-005.01	<p>Project</p> <p>Adopt a unique project identifier for all multifamily properties.</p> <p>Correct anomalies associated with project (FHA) numbers.</p>
REC-005.02	<p>Contract/Subsidy Type</p> <p>Eliminate duplicate contract numbers and FHA project numbers in the TRACS and contracts databases.</p> <p>Create a MAT transaction specifically for implementing contract combinations.</p>

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Rule Number	Recommendations
REC-005.03	<p>Unit</p> <p>Consider amending existing contracts and requiring new contracts and renewals to express contracted units in terms of residential spaces.</p> <p>Assign a unique and unchanging identifier to each residential space in a property and update the contracts database to carry adequate floor plan and rent information.</p>
REC-005.04	<p>Household</p> <p>Consider requiring owners to submit a unique household identifier with certifications.</p> <p>Consider reorganizing the Tenant database by residential space identifier within a contract instead of by SSN.</p> <p>Verify SSNs against the three national credit bureaus.</p>
PRJ-001.00	<p>Section 231 Occupancy Mix</p> <p>Develop a report that will calculate the percentage occupancy by elderly families in Section 231 properties.</p> <p>Develop a report that will calculate the percentage occupancy by nonelderly physically disabled families in Section 231 properties.</p>
PRJ-002.00	<p>Requirements for accessible units</p> <p>Clarify definitions to use for mobility, hearing, and vision accessible units when submitting unit information to TRACS.</p>
PRJ-003.00	<p>Section 8 Income Targeting</p> <p>Consider using the calendar year as the compliance period for income targeting.</p>
ELG-002.00	<p>When Eligibility is Determined</p> <p>Provide a means to indicate that an eligibility waiver has been granted for a move-in or initial certification.</p> <p>Modify TRACS to not perform an eligibility check when a unit transfer is submitted as a MAT10 certification except for move-in and initial certifications.</p>

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Rule Number	Recommendations
ELG-003.00	<p>Income Eligibility</p> <p>Consider having TRACS audit certifications for the use of correct income limits.</p>
ELG-003.01	<p>Establishing Income Limits</p> <p>Provide guidance on how long an owner has to implement new income limits or publish an effective date for new limits that is after their publication.</p>
ELG-003.02	<p>Timing of Income Eligibility Determinations</p> <p>Specifically identify the event whose date is used to determine income eligibility.</p>
ELG-003.03 ELG-003.08	<p>Program Income Limits</p> <p>Add a field to the TRACS database to store the BMIR limit when applicable rather than use the Low-income limit field for two purposes.</p>
ELG-003.04	<p>Section 8 Income Eligibility</p> <p>Eliminate the “Pre-1981” and “Post-1981” designation from Section 8 Contracts and Tenant certifications.</p>
ELG-003.05	<p>Section 236, Rent Supp, RAP Income Eligibility</p> <p>Modify TRACS to require submission of the low-income limit amount with Section 236, Rent Supplement and RAP certifications.</p>
ELG-003.07	<p>Section 202/811 PRAC Income Eligibility</p> <p>Identify how TRACS, or any other software, can identify which PRAC contracts are affected by the “FY 1995” exception.</p> <p>Modify TRACS to specifically require submission of very low-income limits except for those contracts that can be identified as FY 1995.</p>
ELG-003.09	<p>Income Limits and Family Size</p> <p>Publish, in the Handbook, the formula for calculating income limits for family sizes greater than 8.</p> <p>Modify TRACS to distinguish between a child, subject to joint custody, who is eligible for a dependent allowance and one who is not eligible.</p>

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Rule Number	Recommendations
	<p>Specify how information on unborn children, children pending adoption, and anticipated foster children should be submitted to TRACS.</p> <p>Consider distinguishing between live-in aides and other non-family members.</p> <p>Clarify which, if any, categories of people used for income limit and unit size determination are considered family.</p> <p>Determine whether additional relationship or special status codes are needed.</p>
ELG-003.10	<p>Income eligible families must need the assistance</p> <p>Modify TRACS to detect situations where assistance is zero or less for non-PRAC subsidy types.</p>
ELG-003.12	<p>Income limit exceptions in Section 8 projects</p> <p>If the Continuous Section 8 indicator field is dropped, modify TRACS edits dealing with income exception codes.</p>
ELG-003.13 ELG-003.15	<p>Section 8 exceptions for in-place tenants</p> <p>Review use of exception codes and add new ones as required.</p>
ELG-003.14	<p>Exceptions for Post-1981 Properties Requiring Approval</p> <p>Consider automating the process of tracking project- and tenant-based exceptions.</p>
ELG-003.15	<p>Reporting Income Exceptions for Section 8</p> <p>Bring all lists of exception codes in the Handbook into agreement.</p> <p>Define exception codes to use for non-Section 8 subsidies.</p> <p>Add a waiver code of DSBL to cover a waiver for a non-disabled person to move into a property designated for the disables. DSBL will be added to the Field 87 in the MAT10, Section 2 record.</p>
ELG-003.16	<p>Admitting Over-Income Applicants</p> <p>Require certification information to be submitted for market tenants.</p> <p>Generate a fatal error on an MI or IC if any member, age 6 or greater, has</p>

Chapter 1: Executive Summary

Rule Number	Recommendations
	an invalid SSN; however, this recommendation does not apply to the following: Households with subsidy type 0; Relationship code F or L.
ELG-003.17	<p>Admission of Police Officers or Security Personnel</p> <p>Modify TRACS edits to agree with new handbook guidance on the rent that police or security personnel should pay.</p>
ELG-004.00 RNT-004.02	<p>Disclosure of Social Security Numbers</p> <p>Require Social Security Numbers for all household members within 60 days of move-in or initial certification.</p>
ELG-005.00	<p>Residence Criteria</p> <p>Revise current TRACS efforts to prevent double dipping to comply with handbook guidance related to tenants who move out without notice.</p> <p>Consider blocking move-in certifications in double subsidy situations.</p> <p>Implement a prevalidation transaction to allow owners to see if any prospective tenants are already living in subsidized housing.</p> <p>Provide a way to track tenants who do not meet their rent obligations on move-out.</p>
ELG-006.00	<p>Consent and Verification Forms</p> <p>Add a termination code for tenants who refuse to sign the consent forms</p>
ELG-007.01	<p>Prohibition Against Delay of Assistance</p> <p>Modify TRACS to support the concept of prorated assistance pending verification of immigration status at move-in.</p> <p>Revisit the decision to provide prorated assistance at move-in.</p> <p>Check to see if statute intended to allow for temporary deferral of termination of assistance beyond a transition period to the noncitizen rule.</p>
ELG-007.02 ELG-007.05	<p>Mixed Families</p> <p>Modify TRACS to enforce time restrictions on temporary deferral of termination of assistance.</p>
ELG-007.03	Continued Assistance

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Rule Number	Recommendations
	<p>Check for changes in family composition when a family is on Continued Assistance.</p> <p>Do not allow a household to have a Continued Assistance status on any move-in or initial certifications with effective dates > 6/19/1995</p>
ELG-007.06	<p>Prohibition of Assistance to Noncitizen Students</p> <p>Consider having TRACS check for a violation of this rule.</p>
<p>ELG-007.08</p> <p>ELG-010.00</p>	<p>Eligibility of the Remaining Member of a Family</p> <p>Eligibility for Admission to 202 and 811 Projects</p> <p>Add any necessary fields to the Tenant and Voucher header records to allow a determination of the elderly status of a property.</p> <p>Add a field to indicate whether such a property serves the elderly or persons with disabilities.</p> <p>Clarify elderly definitions</p>
ELG-012.00	<p>Occupancy Standards</p> <p>Consider modifying TRACS to support all categories of anticipated children.</p>
ELG-012.01	<p>Assigning a Smaller Unit Than Required</p> <p>Modify TRACS to check the situations where assigning a smaller unit than required is permitted.</p>
ELG-012.02	<p>Assigning Units Larger Than Required</p> <p>Consider checking for the appropriateness of such assignments.</p>
RNT-001.00	<p>Determining Annual Income</p> <p>Consider having owners report income from all sources and have TRACS determine which incomes should be included and which should be excluded.</p>
RNT-001.02	<p>Whose Income is Counted?</p> <p>Consider implementing a coding scheme for temporarily absent family members and enforce the rules that apply with respect to income and allowances.</p>

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	Add an income for adoption assistance payments so that TRACS can enforce the cap on them
RNT-002.00	<p>Calculating income from Assets</p> <p>Implement the Member Number future field in the MAT10 Section 5 record so that TRACS can determine whether or not an asset should be counted as part of the certification.</p>
RNT-002.02	<p>Income from Assets when Assets Exceed \$5,000</p> <p>Store the history of the HUD passbook rate in the TRACS database.</p> <p>Check that the correct passbook rate is reported in a certification.</p> <p>Check that the owner is using the correct rate when applicable.</p>
RNT-002.03	<p>Assets disposed of for less than fair market value</p> <p>Activate the divested date future field in the MAT so that TRACS can tell whether or not a divested asset should be included on the certification.</p> <p>Recommend that owners report all assets divested for less than fair market value.</p>
RNT-003.00	<p>Determining Adjusted Income</p> <p>Specify the order of calculation for deductions.</p> <p>Consider requiring that each expense supporting a deduction be reported as part of the MAT so that TRACS can properly audit deduction calculations.</p> <p>Attach care codes to specific incomes rather than to household members.</p>
RNT-003.01	<p>Dependent Deduction</p> <p>Modify TRACS to deal with the reporting of children in joint custody who do not receive a dependent allowance.</p>
RNT-003.02	<p>Child Care Deduction</p> <p>Clarify how to deal with an adult disabled person subject to joint custody.</p>
RNT-004.00	Verification Requirements

Rule Number	Recommendations
	Consider requesting a modification to statute to allow owners access to income matching information.
RNT-004.01	<p>SS/SSI Income Data Match</p> <p>Perform a cost-benefit analysis on the SS/SSI Data Match process.</p>
RNT-005.00	<p>Calculating Tenant Rent</p> <p>Modify TRACS to store both owner submitted and TRACS calculated values.</p> <p>Update TRACS TTP and Rent calculations to follow the latest handbook rules for calculations and rounding.</p>
RNT-005.01	<p>Calculating TTP</p> <p>TRACS should add the edit requiring TTP to be less than gross rent for the Section 8, RAP, and PAC programs.</p>
RNT-005.05	<p>Section 8 Minimum Rent</p> <p>Remove the obsolete minimum rent logic from TRACS.</p>
RNT-005.06	<p>Welfare Rent</p> <p>Publish, in the handbook, a list of states in which welfare rent rules are applicable.</p>
RNT-005.07	<p>Rent for Authorized Security Personnel</p> <p>HUD, not the owner, should establish the formula for calculating TTP for Security Personnel in order to apply a consistent audit standard.</p>
RNT-005.08	<p>Rent in Group Homes</p> <p>Reconsider 811 Group Home Assistance Calculations as Specified in 4350.3 REV-1, 5-28, D. & E.</p> <p>Consider activating a field in the MAT to indicate group home status.</p>
RNT-005.11	<p>Procedures for Calculating Rent</p> <p>Include the algorithms used by TRACS in the MAT User's Guide and Industry Specifications to minimize differences due to software implementations.</p>

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Rule Number	Recommendations
	Bring TRACS calculations into line with Handbook guidance.
LSE-004.00	<p>Extended absence or abandonment</p> <p>Establish a definition for these terms in days, weeks, or months—do not leave it up to owners to define them.</p> <p>Determine what termination code should be used in extended absence or abandonment cases.</p>
LSE-005.00	<p>Termination for a Pet Rule Violation</p> <p>Add a termination code to cover this situation.</p>
LSE-006.00	<p>Amending the Lease for Rent Changes</p> <p>Provide guidance, in the MAT guide, for how to process a gross rent change and the transactions needed to communicate to TRACS.</p>
LSE-007.00	<p>Security Deposits</p> <p>Consider regulatory simplification.</p> <p>Modify TRACS to differentiate between Section 8 programs.</p> <p>Bring TRACS security deposit edits in line with Figure 6-6 in the Handbook.</p>
CRT-001.00	<p>Annual Recertifications</p> <p>Consider having TRACS check for adult children moving in after initial occupancy in a 202/8 property.</p> <p>Modify TRACS to change the move-in date to be less than or equal to the effective date when applicable.</p> <p>Consider not allowing future transactions to be submitted to TRACS.</p> <p>Consider not allowing a certification to be effective after the first of the voucher month.</p>
CRT-001.01	<p>Timing of Annual Recertifications</p> <p>Require that all annual recertifications be effective on the first of the month.</p>
CRT-001.02	Annual Recertification Procedures

Rule Number	Recommendations
	<p>Clarify the 15-month rule.</p> <p>Define for TRACS and the CAs what effective date should be used for system (HQ) terminations.</p> <p>Consider a financial penalty for late owner submission of recertifications.</p>
<p>CRT-001.03</p>	<p>Effective Dates of Rent Changes</p> <p>Clarify, in the MAT guide, what certifications and effective dates are acceptable after either an owner initiated termination or an HQ termination. Implement any necessary changes in TRACS edits.</p> <p>Add a field to the MAT indicating the effective date of a change in rent as distinct from a change in assistance.</p> <p>Clarify when rent changes on corrected certifications.</p> <p>Resolve any inconsistencies between Rule CRT-001.02 and CRT-001.03 regarding when assistance should be terminated for late recertifications. Should the headquarters termination be effective retroactive to the anniversary date?</p> <p>Replace the “tenant unable to sign indicator” in TRACS with an “extenuating circumstances” code that can be used to justify accepting a recertification on a tenant terminated for failure to recertify on time.</p>
<p>CRT-002.01</p>	<p>Interim Recertification: Owner’s Responsibilities</p> <p>Add a “do not check eligibility” flag to the MAT10 section 2 record.</p> <p>Consider continuing the use of the LR termination code.</p>
<p>CRT-002.02</p>	<p>Effective Date of Interim Recertifications</p> <p>Consider implementing all changes from one subsidy to another and from subsidized to market or market to subsidized as terminations followed by initial certifications.</p>
<p>CRT-004.00</p>	<p>Gross Rent Changes</p> <p>Deal with any retroactive portion of a gross rent change with a miscellaneous accounting request or special claim.</p>

Rule Number	Recommendations
	<p>Reconsider the requirement for retroactive certifications in general.</p> <p>Require TRACS and/or CAs to generate the new rents based upon changes to the contract rent schedule and advise the owners of the new rents for their units.</p> <p>Modify TRACS changing the gross rent change logic to make sure that the unit number in the gross rent change matches the unit currently occupied by the tenant.</p> <p>Organize the TRACS Tenant database by contract and unit.</p>
CRT-005.01	<p>Termination of Assistance</p> <p>Define the meaning of the termination date.</p> <p>Revise the list of termination codes to cover all applicable situations and have each code cover only a single situation.</p>
CRT-005.02	<p>Termination of Tenancy by Lessees</p> <p>To help eliminate situations where tenants fail to give a full 30-day notice, consider stating that a tenant is not eligible for assistance in any other property until the end of the notice period.</p>
CRT-005.03	<p>Termination of Tenancy by Owners</p> <p>Add appropriate termination and move-out codes to allow the tracking of fraud cases and the enforcement of sanctions.</p>
CRT-005.05	<p>Discrepancies Based on SWICA Information</p> <p>Perform a cost-benefit analysis on the SS/SSI Data Match process.</p>
CRT-005.06	<p>Reimbursement to HUD for Overpayment of Assistance</p> <p>Clarify how to deal with situations involving repayments agreements on the HAP voucher.</p>
REP-001.00	<p>50059 Facsimile Printing</p> <p>Consider adding a standard 50059 format to the MAT User Guide and coordinate the MAT field numbering with the fields in the form.</p>
REP-002.00	<p>Electronic Data Processing and Transmission</p>

Rule Number	Recommendations
	<p>It may simplify communication with multifamily industry software developers if a separate web page were created specifically for software developers, and the issues they raise.</p>
<p>REP-003.00</p>	<p>Signatures on 50059 Facsimiles</p> <p>Collect all guidance related to the need for signatures on 50059 facsimiles for full certifications, gross rent changes, unit transfers, terminations, and move-outs together in a single exhibit for reference.</p> <p>Where a tenant signature is required for a partial certification, consider not asking for the signatures of all adult household members.</p> <p>Guidance is needed on the printing of partial certifications.</p> <p>Eliminate the term “partial certification”.</p>
<p>REP-004.00</p>	<p>Deadlines for TRACS Submissions</p> <p>TRACS could audit the 60-day submission requirement for special claims that have been processed by HUD offices using the online claims application.</p> <p>Consider a financial penalty for late submission.</p> <p>Solicit opinions from contract administrators and the FMC on the timing of certification submissions and issue revised guidance if necessary.</p>
<p>REP-005.00</p>	<p>Internet Applications</p> <p>Consider requiring each site or (at a minimum) central office to have access to WASS.</p>
<p>REP-006.00</p>	<p>Manual Vouchers</p> <p>The handbook description should be modified to reflect the actual process.</p>
<p>REP-007.00</p>	<p>Contract Administrator Requirements</p> <p>Provide guidance on what are legitimate CA requests for paper reports and forms.</p> <p>A discussion with Contract Administrators concerning their needs with respect to modification of data transmitted from sites would be a useful</p>

Rule Number	Recommendations
	<p>prelude to the issuance of more definitive guidance.</p> <p>Contract Administrator software should be certified as is site software.</p> <p>Make it made clear that CAs may not impose different rules on site transmissions than does TRACS.</p> <p>Publish requirements for features that site and CA software vendors must support.</p> <p>Consider developing a standard set of test case scenarios with expected results that can be used to certify site and CA software.</p>
REP-008.00	<p>Data Collection and Processing Procedures</p> <p>Consider implementing voucher detail, adjustment, and special claims detail voucher records for transmission to CAs only.</p> <p>TRACS should consider storing records that generate TRACS fatal errors so that there is a record of what data exists in the site or CA database.</p> <p>TRACS should consider storing and reporting both site submitted and TRACS calculated values for fields.</p> <p>Rewrite sections of Handbook Chapter 9 to ensure technical accuracy.</p> <p>Consider specifying rules for CAs to follow when returning messages to owners.</p>
REP-009.00	<p>Correcting TRACS errors</p> <p>Consider modifying TRACS to store fatal errors as well as discrepancies, and adding a mechanism to positively identify when a correction or an acknowledgement has been processed.</p>
REP-010.00	<p>Full and Partial Certifications</p> <p>Consider eliminating partial certifications and requiring full data to be transmitted for all transactions.</p> <p>Remove the examples of MAT record formats from the handbook in favor of referencing the MAT guide for the information.</p>

Rule Number	Recommendations
	<p>Incorporate Handbook guidance concerning MAT fields into the MAT Guide.</p> <p>Rename the MAT User’s Guide to “TRACS User’s Guide.”</p>
REP-010.01	<p>MAT15 Address Record</p> <p>Incorporate the TRACS 2.0.1.A industry specification guidance on MAT15 records into the MAT guide.</p> <p>Consider including tenant address information as part of the MAT10 certification record and using the MAT15 record for unit address information only.</p> <p>Add a Unit Identifier field to the MAT to hold a permanent, unique identifier for a unit in a property.</p> <p>Add a globally unique Property Identifier (the REMS property identifier) to allow TRACS to retain MAT15 records for properties that lack an FHA identifier.</p>
REP-010.02	<p>MAT40 Move-Out Record</p> <p>Provide guidance on the need for signatures on move-outs.</p> <p>Consider using only the property id (REMS) and the contract number as identifiers in TRACS.</p> <p>Add to the list of move-out codes to allow for the tracking of fraud cases, tenant skipping or moving out without full 30-day notice.</p> <p>Consider implementing move-out code #5—unit transfer between projects.</p> <p>When an owner opts out, consider issuing HQ move-outs for all affected tenants.</p>
REP-010.03	<p>MAT65 Termination Record</p> <p>Provide guidance on the use of the CE, EN and HQ termination codes.</p> <p>Define the termination date as being the last day of subsidy similar to how a move-out date is defined.</p>

Rule Number	Recommendations
	<p>The LR code should be permitted for the situations where the old rules were in effect.</p> <p>Add to the list of termination reasons to allow the tracking of fraud cases.</p>
REP-010.04	<p>MAT70 Unit Transfer/Gross Rent Change</p> <p>TRACS needs to add a load module before the certification processing modules that performs the transfer out action on tenants being transferred from one unit to another by either a MAT70 or a MAT10.</p> <p>Split the mat 70 record into two records -- one for unit transfers and one for Gross rent changes rather than keeping the current format that serves two purposes.</p> <p>Consider enhancing the MAT10 record to carry information on prior rents (similar to what is done for unit transfers) so that both Contract Administrators and TRACS can see explicitly when a full certification is conveying gross rent change information.</p> <p>As part of the MAT guide, instructions should be given on how to handle situations where multiple certification events occur with the same effective date.</p> <p>If partial certifications are not eliminated, consider storing partial certifications independent of full certifications.</p> <p>Consider making almost all MAT70 fields mandatory.</p> <p>Require that unit transfers be handled according to the following rules:</p> <ol style="list-style-type: none"> 1. Where both the project/property and contract/subsidy type remain the same, submit the transfer as a MAT70 or MAT10 unit transfer. 2. Where the project/property remains the same but the contract/subsidy type changes, submit the transfer as a MAT65 termination followed by a MAT10 initial certification. 3. Where the project/property changes, submit a MAT40 move-out followed by a MAT10 move-in certification. <p>Consider adding fields to cover the previous rent and subsidy</p>

Rule Number	Recommendations
	<p>information.</p> <p>Issue guidance on how to submit data when a unit transfer and gross rent change both occur on the same date.</p> <p>Eliminate the need for staged gross rent changes.</p> <p>In Appendix 6, Figure 4 the guidance given for fields marked with an asterisk is incorrect. Remove the asterisks and the guidance.</p>
REP-011.00	<p>MAT10 50059 Data Requirements</p> <p>Clarify exactly what paragraphs in Appendix 7 should be printed as part of the 50059 facsimile.</p> <p>Some of the fields required on the facsimile are not known when the facsimile is printed. Modify the list of fields to be printed.</p> <p>HUD should design the facsimile formats in collaboration with the multifamily industry.</p> <p>Consider adding a query with the ability to display TRACS data in certification format.</p>
REP-011.01	<p>Tenant Header Record</p> <p>A1. Project Name: Clarify the use of this field in TRACS.</p> <p>A3. Property ID: Activate this field and populate with the REMS Property ID and drop Project Number.</p> <p>A5. Contract Number: Use this field for entry of subsidy types without contract numbers. For example: Rent Supplement and RAP contract numbers (FHA project number + SUP or RAP).</p> <p>A9. OA Software Vendor: The software should be required to emit this data element to provide consistent formatting.</p> <p>A10. Release/Version: The software should be required to emit this data element to provide consistent formatting.</p> <p>A12. Sender's Telecom Address: Drop this field.</p>

Rule Number	Recommendations
	<p>A14. CA Software Vendor: The software should be required to emit this data element to provide consistent formatting.</p> <p>A15. CA Software Release/Version: The software should be required to emit this data element to provide consistent formatting.</p> <p>Add in Section 202 indicator and a Section 231 indicator so that it is possible to determine when these apply to Section 8 and other deep subsidy contracts.</p> <p>Add an additional field for software vendor use. Possible uses include a code that would identify the specific site using the software.</p>
<p>REP-011.02</p>	<p>MAT10 Basic Record (Tenant Certification)</p> <p>B2. Previous Head ID: Document how to use this field in various scenarios.</p> <p>Implement a household identifier and consider eliminating fields B2 through B7 (Pervious Head information).</p> <p>B8. FIPS County Code: Drop this field.</p> <p>B9. Transaction Effective Date: For correction certifications specify that both fields B12 and B13 should be filled.</p> <p>B11. Transaction Type: Consider eliminating the CR and CS certification types.</p> <p>B14. Effective Date of Certification Being Corrected: Change the name of the field to Tenant Rent Effective Date.</p> <p>B15. Pervious Subsidy: Either clarify its use or eliminate the field.</p> <p>B16-B18. Conversion Date Code, Age 62 at Conversion Indicator, Continuous Section 8 Indicator: Consider eliminating these fields.</p> <p>B19. Race: Eliminate in favor of collecting information at the tenant level.</p>

Rule Number	Recommendations
	<p>B20. Ethnicity: Eliminate in favor of collecting information at the tenant level.</p> <p>B23. Number of Family Members: Review the use of this field and clarify relative to anticipated members and temporarily absent members.</p> <p>B28. Reported Passbook Rate Percent: Store rates in a table in the TRACS database along with effective dates.</p> <p>B???. (Should be B35) Asset Income: Restore this field to the list and renumber the remaining fields.</p> <p>B38. Extremely Low-Income Limit Amount: Clarify the definition and use.</p> <p>B41. Section 8 Assistance 1984 Indicator: Add a description of how to fill this field.</p> <p>B42. Income Exception Code: Resolve differences between the description of this field given here and that in the MAT Guide.</p> <p>B44. Market Rent: Resolve differences between the description of this field given here and that in the MAT Guide.</p> <p>B46. Disability Expense: Change the name of this field in the MAT Guide to match this one.</p> <p>B47. Disability Allowance: Attach care codes to incomes, not members. Consider collecting expense detail for even greater accuracy.</p> <p>B53. Contract Rent Amount: TRACS should audit these amounts. Add unique unit identifier and floor plan fields to allow this.</p> <p>B54. Utility Allowance Amount: TRACS should audit these amounts. Add unique unit identifier and floor plan fields to allow this.</p> <p>B56. Welfare Rent: List the states considered “as paid.”</p> <p>B57. HCDA%: Eliminate or clarify the use of this field.</p>

Rule Number	Recommendations
	<p>B58. Worksheet Code: Drop references to the D, F, and G worksheets here and in the MAT Guide. Modify TRACS edits accordingly.</p> <p>B59. Total Tenant Payment: Give advice on situations where TTP would equal Gross Rent. Require owners to submit market certifications to TRACS.</p> <p>B61. Tenant Rent: Fix error in the field description.</p> <p>B63. Assistance Payment Amount: Clarify whether or not values of zero are allowed.</p> <p>B64. % Actually Charged: Eliminate the field or provide guidance on how to fill it in situations where the value would be infinite.</p> <p>B65. Police or Security Tenant: Resolve differences between the description here and guidance in the body of the handbook.</p> <p>B68. Building ID: Implement this field and populate it with the REAC building identifier.</p> <p>B69. Unit Number: Add a unique unit identifier to the MAT. Organize the contracts database around residential spaces rather than number of units to fix group home issues.</p> <p>B71. Region Code: Drop this field.</p> <p>B72. Field Office Code: Drop this field.</p> <p>B73. Tenant Signed Date: Update description to reflect current handbook requirements.</p> <p>B75. Household Assistance Status Codes: Eliminate the Full Assistance code and provide up-to-date advice on the use of the remaining codes.</p> <p>B76. Family Addition Adoption: Implement this field.</p> <p>B77. Family Addition Pregnancy: Implement this field.</p> <p>B78. Family Addition Foster Children: Implement this field.</p>

Rule Number	Recommendations
	<p>B81. Voucher Date: Clarify the use of this field and provide guidance in the MAT guide. Make this field Mandatory on Condition.</p> <p>B82. Secondary Subsidy Type: Expand the definition of this field so that it can be populated for any Section 236 or BMIR project.</p> <p>B84. Waiver Type Code: Implement this field.</p> <p>B85. Move-Into Unit Date (Family): Delete this field.</p> <p>B86. Owner Preference Code: Decide whether to implement or delete this field.</p> <p>B87. Baseline Certification Indicator: Update the description and add to the MAT Guide, advice on the use of and rules for generating baseline records and files.</p> <p>B88. Plan of Action Indicator: Clarify use or delete the field if it is no longer needed.</p> <p>B89. HUD-Owned Indicator: Describe when HUD-Owned properties may send certifications to TRACS.</p> <p>B90. Unit Transfer Code: Update guidance and determine how to support transfers between properties.</p> <p>B95. Tenant Unable to Sign Indicator: Consider deleting this field in favor of an Extenuating Circumstances indicator.</p> <p>Consider adding optional unique certification identifiers (one for site use and one for CA use) that would be passed back with error messages.</p>
REP-011.03	<p>MAT10 Household Record</p> <p>C5. Relationship Code: Provide additional guidance on the use of Head, Dependent, and Other codes. Add clarification on emancipated minors.</p> <p>C6, C7. Sex Code, Birth Date: Decide how to deal with anticipated members and revise advice for the Household Record accordingly.</p>

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	<p>C8. Special Status Code: Explore the consequences of allowing status codes to be filled for all members no matter what the relationship code.</p> <p>C9. Identification Code: Delete the paragraph concerning persons who are not family members.</p> <p>C10. Member Eligibility Code: Clarify the advice for this field and revise it to agree with what TRACS expects to be submitted. Consider implementing a limit to the amount of time that a member may receive the pending verification code.</p> <p>C12. Occupation Description: Either implement this field or drop from the MAT.</p> <p>C13. Able to Work Care Code: Consider attaching the care codes to the incomes and collecting detailed expense data rather than the summary fields that are now part of the Basic record.</p> <p>C14. Care Codes: Move some of the advice for this field to C13 and either drop or implement the field.</p> <p>Provide guidance related to the submission of data for anticipated family members as part of the Industry Specification.</p>
Rep-011.04	<p>MAT10 Income Record</p> <p>D4. New Household Member Income Indicator: Either implement or drop this field.</p> <p>D5. Newly Employed Income Indicator: Either implement or drop this field.</p> <p>D6. SSN Benefits Claim Number: Implement this field.</p>
REP-011.05	<p>MAT10 Asset Record</p> <p>E1. Member Number: Implement this field.</p> <p>E6. Date Divested: Implement this field.</p>
REP-012.00	<p>50059 Data Entry Rules</p> <p>Resolve the discrepancy between the Chapter 5 advice on how to</p>

Rule Number	Recommendations
	<p>calculate an income and that given here.</p> <p>Provide guidance on how to round negative numbers.</p> <p>Revise the statement to the effect that only whole numbers may be transmitted to TRACS.</p> <p>Make it explicit that intermediate calculations should be rounded to the nearest penny. This is what is done in the examples but the rule is not stated.</p> <p>Add a technical appendix to the MAT guide giving algorithms to be used in certification and voucher calculations.</p>
HAO-001.00	<p>Assistance Payments Requirements</p> <p>Revise the allowed exceptions to the rule that a unit may be claimed under more than one contract for the same voucher period.</p>
HAP-002.00	<p>Assistance Payments Procedures</p> <p>Paragraph 9-12.C.3 should eliminate all of its sub-sections and instead refer the interested reader to Appendix 9 for information on what information should appear on the form and to the MAT guide for the information required to be transmitted electronically.</p>
HAP-003.00	<p>Assistance Payments Calculations</p> <p>Add advice on how billing should be done in the context of residential spaces for group homes.</p> <p>Describe how unit rents should be assigned to residential spaces.</p>
HAP-004.00	<p>Payments for Partial-Month Occupancies</p> <p>Provide additional guidance on the case of a move-out after the death of a sole member.</p> <p>Decide whether adjustments should be reported on a month-by-month basis or whether a single number may be reported covering the period of the adjustment.</p> <p>Either stop issuing HQ move-outs in favor of blocking subsequent move-ins or allow for a move-out transaction to indicate that it is in response to</p>

Rule Number	Recommendations
	<p>a tenant’s vacating without proper notice.</p> <p>Add a technical appendix to the MAT guide giving algorithms to be used in certification and voucher calculations.</p>
HAP-006.00	<p>HUD-52670</p> <p>For consistency, present the information in this handbook appendix and following ones in a way similar to what is done for fields submitted on a certification.</p> <p>Move field level guidance to the MAT Guide for ease of revisions.</p> <p>The wording to prepare a separate form “for each subsidy contract for each of the following” (General, A) is incorrect and should be revised.</p> <p>Correct the wording on when each of the subsidy types submits vouchers.</p> <p>Provide definitions for how items 6a, 6b, 6c, 6d, and 6e should be determined including when the determination is made (e.g. what are the effective dates for the various counts?).</p> <p>Revise the language for Item 6 to comport with Housing’s decision to move away from “units” to “residential spaces.”</p> <p>Number of Units Vacant for a PRAC is defined as item 6c. It should be 6d.</p> <p>Consider whether a second set of Item 6 fields should be added to the MAT30 record to reflect contract administrator totals.</p> <p>Eliminate voucher form differences between the PRAC and other subsidy types.</p> <p>Item 10. The instructions for subitems a. and b. refer to the wrong item on the schedule of tenant assistance payments due.</p> <p>Provide advice on the use of miscellaneous accounting requests.</p> <p>Consider adding miscellaneous accounting request sub-types to the main types to aid in categorizing such requests.</p>

Rule Number	Recommendations
HAP-007.00	<p>HUD-52670-A Part 1, Schedule of Payments Due</p> <p>Item 8. Unit Size: With the move to “residential spaces” guidance is needed on how to complete this item for a certification in a group home.</p> <p>Item 12. Income Code: Revise the list of exception codes to agree with the body of the Handbook.</p> <p>Require that entries for regular tenant assistance and for adjustments be sorted in unit number order.</p> <p>Item 7. Revise this entry to refer to a unique unit identifier if implemented.</p> <p>Item 15. Provide guidance on the use of the CE, EN, and HQ termination codes.</p> <p>Consider giving Contract Administrators a CA termination code.</p> <p>Item 16. Consider requiring that no events occurring after the first of the voucher month be reported on the regular tenant assistance portion of the voucher.</p>
CLM-001.00	<p>Special Claims</p> <p>Make it clear that Contract Administrators may continue to assign a single claim ID to a batch of claims of different types.</p> <p>Publish the TRACS edits involving Special Claim Ids.</p> <p>Assign CA Ids to the Traditional CAs and require their use in Special Claim Ids.</p> <p>Have TRACS generate an error message if a claim is submitted for a Rent Supplement or RAP voucher.</p> <p>Consider automating the submission of special claims at the site level.</p> <p>Expand the TRACS Special Claim Approval application to accept the special claim detail instead of the summary by claim type that it accepts now.</p>

Rule Number	Recommendations
CLM-002.00	<p>Claims for Unpaid Rent and Damages</p> <p>For situations where it has not been possible to get evidence of a move-out into TRACS, consider allowing the reviewer to use the adjustment pages on the voucher, along with the regular tenant assistance reporting, to determine whether a move-out or move-in has occurred.</p>
CLM-003.00	<p>Claims for Vacancy Losses During Rent-Up</p> <p>TRACS should check to be sure that Loan Management Set-Aside contracts do not submit claims for vacancy losses during rent-up.</p>
CLM-004.00	<p>Claims for Vacancy Losses After Rent-Up</p> <p>Either reconsider the guidance not to submit data for market tenants or provide for alternative proof of move-out for tenants who have been terminated per handbook guidance.</p> <p>For situations where it has not been possible to get evidence of a move-out into TRACS, consider allowing the reviewer to use the adjustment pages on the voucher, along with the regular tenant assistance reporting, to determine whether a move-out or move-in has occurred.</p> <p>Are owners entitled to resubmit vacancy claims if they receive a retroactive gross rent increase subsequent to filing the claim?</p>
CLM-005.00	<p>Claims for Debt Service Losses</p> <p>Either reconsider the guidance not to submit data for market tenants or provide for alternative proof of move-out for tenants who have been terminated per handbook guidance.</p> <p>For situations where it has not been possible to get evidence of a move-out into TRACS, consider allowing the reviewer to use the adjustment pages on the voucher, along with the regular tenant assistance reporting, to determine whether a move-out or move-in has occurred.</p>
CLM-006.00	<p>Special Claims Schedule (52670-A Part 2)</p> <p>Provide instructions on how to fill out this form.</p> <p>Specify the order in which claims should appear on the form.</p>
CLM-007.00	<p>Special Claims Worksheets (526701 A through D)</p>

Rule Number	Recommendations
	Provide guidance on which form fields should be rounded to the nearest penny and which should be rounded to the nearest dollar.
EIR-001.00	<p>Excess Income Report</p> <p>Clarify how rents received for past and future periods should be reported.</p> <p>Give instructions and examples concerning how to handle partial month occupancy situations and both current and retroactive gross rent changes and unit transfers.</p> <p>Give instructions on how to deal with retroactive corrections to certifications.</p>
TEN-001.01	<p>Tenant MAT Transmission Level Requirements</p> <p>Clarify whether records may be padded at the end to be longer than required.</p> <p>Clarify whether records may be truncated in situations where no data is being reported in the omitted fields.</p> <p>Document TRACS edits surrounding the use of the CA ID.</p>
TEN-002.00	<p>Tenant Batch Processing Requirements</p> <p>Consider submitting move-out, termination, gross rent change, and unit transfer information as part of a full certification.</p> <p>Consider splitting the MAT70 record into two transactions if the suggestion above is not implemented.</p> <p>Modify TRACS to process the vacate part of a unit transfer prior to processing MAT10 records and the occupy part of the unit transfer.</p>
TEN-002.01	<p>Tenant Batch Processing Flow</p> <p>If the transaction effective date is interpreted as the date that the transaction affects assistance, the database should be keyed by transaction effective date, instead of certification effective date, and the processing sequence should be by transaction effective date, instead of the date/timestamp.</p>
TEN-002.04	<p>HQ Move-Out</p>

Chapter 1: Executive Summary

Rule Number	Recommendations
	Reconsider the philosophy behind this transaction and either retain it or block move-in transactions instead.
TEN-002.05	<p>Duplicates Scrub</p> <p>Expand the duplicates report to include all household members.</p>
TEN-002.06	<p>Headquarters (HQ) Termination</p> <p>Provide guidance for owners on how to avoid HQ terminations, including what to do when an eviction is in process. Consider financial penalties for failure to inform TRACS as to the status of a recertification.</p>
TEN-002.08	<p>Unit Addresses</p> <p>Replace the project number in TRACS with the REMS property id.</p>
VCH-001.04	<p>Voucher MAT Error Requirements</p> <p>Consider redesigning the MAT messaging system to provide a more user-friendly error message format.</p>
VCH-002.00	<p>Voucher Batch Processing Requirements</p> <p>Consider retaining MAT30s that have fatal errors in TRACS for a limited time as an aid for troubleshooting and error analysis.</p>
VCH-002.01	<p>Voucher Submission Requirements</p> <p>Establish a rule that TRACS will not accept a voucher header (VCHHR) with the CA data populated until the contract has been assigned to the CA in TRACS.</p> <p>Establish the rule that TRACS will not accept a VCHHR without the CA data populated after the contract has been assigned to the CA in TRACS.</p> <p>Establish the rule that TRACS will accept MAT30s from CAs for periods prior to the payment start date, but the CA approved amount fields will be ignored and the owner will be paid.</p> <p>Establish the rule that MAT30s for contracts assigned to a CA must have the CA approved amount fields populated if the voucher is for a period on or after the payment start date.</p> <p>Return the compliance percentage as part of the voucher acknowledgement message.</p>

Chapter 1: Executive Summary

Chapter 2. Introduction

This Comparative Analysis Matrix contains Business Rules in HUD Handbook 4350.3 that directly or indirectly affect funds control. TRACS business logic supporting the Handbook rules is also presented. Particular attention is paid to rules that are or could be subject to automation and that would improve accountability and reduce errors in payments. Situations are identified where rules are ambiguous or not well defined and recommendations for improvement are made with respect to both rules and current processes. The final two chapters describe TRACS rules related to process flow and database integrity that are unrelated to the Handbook requirements.

These rules contained in HUD Handbook 4350.3 cover the following HUD programs:

- Section 221(d)(3) Below-Market Interest Rate (Section 221(d)(3) BMIR)
- Section 236
- Rental Assistance Payment (RAP)
- Rent Supplement
- Section 8 Project-Based Assistance
 - New Construction
 - State Agency Financed (generally are New Construction or Substantial Rehabilitation projects)
 - Substantial Rehabilitation
 - Section 202 Projects with Section 8 Assistance (Section 202/8)
 - Rural Housing Section 515 Projects with Section 8 Assistance (RHS Section 515/8)
 - Loan Management Set-Aside (LMSA)
 - Property Disposition Set-Aside (PDSA)
- Section 202 with 162 Assistance – Project Assistance Contracts (Section 202 PACs)
- Section 202 with Project Rental Assistance Contracts (Section 202 PRACs)
- Section 202 without Assistance (Income Limits Only)
- Section 811 with Project Rental Assistance Contracts (Section 811 PRACs)

In particular this document analyzes the following areas:

- Program Eligibility for tenants
- Project Eligibility issues except as noted below
- Occupancy and Certifications
 - Move-in and Initial Certifications
 - Recertifications
 - Terminations
 - Move-outs

- Unit Transfers
- Gross Rent changes

- Billing Requirements including Special Claims
- TRACS automation

The following topics are excluded from the review:

- Pre-Admission Concerns and Rules--These are properly the subject of on-site management and occupancy reviews.
- Fair Housing and Non-Discrimination issues
 - Owner/Agents are required not to discriminate based on race, color, religion, sex, disability, familial status, or national origin.
 - Data on race, ethnicity, sex, disability (limited to program definitions), and familial status for those admitted to housing is transmitted to TRACS. However, since the data is only for housed families, it is not possible to use it to detect patterns of discrimination without knowing the values for those not admitted or in the local population.
- Waiting List maintenance—This conceivably could be part of an automated system at the TRACS level, but both the development effort and volume of transactions would be huge.
- It should be noted that move-in certifications currently capture information concerning the Displacement preference.
- Rules relating to verification of tenant information including eligibility factors, income, assets, expenses, and personal information with the exception of the SSI Data Match.
- Project eligibility rules related to some housing for the elderly and disabled. The rules are very complex and, in many cases, subject to owner choice. These are best dealt with at the management review level.

Chapter 3. Using This Document

Reference Document

HUD Handbook 4350.3, Rev. 1

Rule Naming Conventions

Entries in the Table of Contents and this document are formatted as follows:

Rule Identifier: Subsidy Types: Rule Name. Rule Identifier is a unique alphanumeric identifier for the rule; Subsidy Types are the specific subsidy types that the rule applies to; and Rule Name is a brief name for the rule.

Example: RNT-004.03: nnnn45nnn: Rent Calculation. Where RNT-004.03 is the Rule Identifier; nnnn45nnn is the list of subsidy types that the rule applies to; and Rent Calculation is the rule name.

Rule Identifier is formatted as follows:

Rule Category-Rule Number.Sub-Rule Number. Rule Category designates rules that relate to a common theme; Rule Number is the number of the rule within the category; and Sub-Rule Number is the number of the sub-rule within the rule.

Example: RNT-004.03. Where RNT refers to the Rent category of rules; 004 is the rule number within the category; and 03 is the sub-rule within the rule.

Subsidy Types are encoded as follows:

012345789 where:

0 = Market (Unsubsidized)

1 = Section 8

2 = Rent Supplement

3 = RAP

4 = Section 236

5 = BMIR

7 = 202 PRAC

8 = 811 PRAC

9 = Section 202/162 PAC

Example: nnnn45nnn. This indicates that the rule applies to the Section 236 and BMIR subsidy types.

Rule Layout

The presentation of each rule is done in up to three sections. The organization is designed to allow for easy modification and for insertion and deletion.

Section 1, labeled Handbook, contains the description of the business rule as stated in HUD Handbook 4350.3, Rev. 1. Included in this section are notations about issues for which clarification is needed to allow unambiguous implementation. This section quotes excerpts from the Handbook, citing the starting section number and page numbers at the beginning of each quote.

Section 2, labeled TRACS, contains the logic of how TRACS implements the rule.

Section 3, labeled Recommendations, contains any recommendations for change or improvement in either the rule or in the implementation of the rule. This section is optional. At the start of each recommendation there is an indication of whether a legislative fix is needed, whether a policy change should be considered or advice sought, or whether a TRACS modification or documentation update is required. This information is summarized in brackets as follows: [X] Legislative [X] Policy [X] TRACS. The preceding example indicates that legislative, policy, and TRACS fixes are all required.

Chapter 4. Global Issues and Recommendations

Scope of Analysis

This section introduces issues that are broad enough to warrant a discussion outside of the Handbook centric context of the remaining chapters of this Matrix. While the topics are not rules per se but rather broad themes that impact negatively on the e-government effort, they are being presented in the same format as the rest of the rules in this Matrix for ease of reference.

Rule # REC-001.00: 012345789: Statutory and Regulatory Complexity

HUD programs and their associated statutes, regulations and rules have accumulated over the years. Frequent modification has been the norm. As a result, the body of knowledge required to manage HUD subsidized housing is voluminous and complex. The difficulty associated with automating these rules should not be underestimated—particularly when regulations can be waived (1-8) and state and local law must be taken into account in some situations (1-5). Paragraph 1-2.C from the 4350.3 illustrates the problem:

HANDBOOK (1-2.C, pp 1.2-1.3):

(C) How Applicability Varies

Not all requirements apply to all properties or tenants. Furthermore, some properties are assisted under multiple programs and are subject to multiple sets of requirements.

(1) Applicability can vary by:

- (a) Type of program (e.g., Section 236 versus Section 8);
- (b) Type of Section 8 assistance (e.g., Loan Management Set-Aside versus New Construction);
- (c) Date that subsidy contracts took effect or were executed;
- (d) Date a tenant moved in or first received subsidy; and
- (e) Date a tenant was converted to Section 8 assistance.

(2) When applicability does vary, a paragraph or subparagraph in this handbook entitled “Applicability” will be included to indicate which projects, units, or tenants are subject to or exempt from the requirement. The variation will be described in subsequent

paragraphs.

Similarly, paragraph 1-5.A states:

HANDBOOK (1-5.A, p 1.8):

1-5 Principles for Addressing Overlapping Federal, State, and Local Requirements

(A) General

In addition to complying with this handbook, owners must comply with other federal, state, and local laws applicable to the occupancy of multifamily housing properties. If other federal, state, or local laws conflict with HUD's requirements, owners must contact the HUD Field Office or Contract Administrator for guidance. Also, when addressing complex overlapping requirements, it is always prudent for owners to seek proper counsel.

Recommendations for simplification:

Legislative Policy TRACS: Seek statutory relief: Many of the different subsidy programs are very similar when it comes to rent determination and vouchering. Consider statutory changes that would allow "similar" to become "identical." The result would be simplified training for site staff and reduced automation costs.

Legislative Policy TRACS: Simplify Rent Determination: Consider a pilot project, similar to that being undertaken in Public and Indian Housing, to implement a greatly simplified tenant rent calculation whereby tenants pay a fixed percentage of annual income with no deductions. Count all income and assets with no exclusions. As it now stands, large sections of the 4350.3 Handbook are taken over with detailed discussions of exactly which incomes and assets should be included in certification calculations and which are excluded. If deductions were eliminated, a large verification burden would also be eliminated. Tenants would no longer have to save every receipt for medicines and owners would not have to spend time documenting and storing copies of that information.

Legislative Policy TRACS: Eliminate retroactivity: Gross rent changes are often implemented deeply retroactively and changes to old certifications are required when errors or fraud are discovered. When such things happen, a whole chain of certifications must be corrected so that proper adjustments can be made. Retroactively changing prior transactions obscures the audit trail of events. Consider following the Rural Housing Service model where all certifications are effective on the first of the month after the action requiring the certification takes place and where retroactivity in cases of errors or fraud is dealt with outside of the certification context. Dealing with

retroactivity in an automated system is fraught with difficulty and is often not implemented well.

Legislative Policy TRACS: Simplify Forms: Either revoke permission for state-modified HUD forms (1-2.B.2) or define a single form that meets the needs of all stakeholders. Doing so will lower automation and auditing costs. As an example, in the past some contract administrators have received approval for a modification to HUD Form 52670-A Part 1 to include the number of bedrooms, contract rent, and tenant rent on the form for each unit billed. Other contract administrators either had different requirements or accepted the standard HUD form. Prior to the 4530.3 update, Housing asked CAs to indicate what information they needed on the form and their requests were incorporated in the latest revisions of the HAP voucher forms resulting in a single implementation that meets everyone's needs.

Rule # REC-002.00: 012345789: Handbook Deficiencies

One issue that cries out for attention is the fact that the 4350.3 handbook has not been updated to deal with the realities of a world where automation of key tasks such as generating and printing certifications and HAP vouchers is required. While the handbook has made great strides in its latest revision, it remains inadequate as a requirements document for software implementation. Often key information about a single topic is not grouped together but rather scattered about the handbook. Sometimes key guidance is missing. For example, the handbook almost completely lacks information concerning move-in and initial certifications—what special edits are required for what MAT fields in these cases. There is a generous discussion of topics such as eligibility for admission but nothing about how to translate that information concretely into a move-in or initial certification.

Until detailed requirements are provided, it is inevitable that different software implementers (including TRACS) will do things in different ways. Perhaps the handbook should be split into two documents with two different audiences in mind: the site manager and the software implementer. The software implementer will want specific instructions related to certification types and events. What certification type is appropriate under which circumstances?; What fields need to be filled?; what edits should be applied to the information entered?

Recommendation:

Legislative Policy TRACS: Generate a software requirements document from the Handbook rules.

Rule # REC-003.00: 012345789: Required Automation

When a property submits its certifications and vouchers to a contract administrator, three different implementations of the handbook rules are involved: the site software's, the contract administrator software's, and TRACS'. There is simply no way to keep all three databases in synchronization especially when all three are based on differing interpretations of the handbook. A clear set of requirements (REC-002.00) would eliminate a source of many discrepancies.

Recommendation # 1:

Legislative Policy TRACS: Consider making either the TRACS or the contract administrator database the repository of the correct data and let the other draw its data from that database.

There are no designated points of contact software developers can go to for resolution of questions concerning handbook language or policy. Since all certifications and HAP vouchers are required to be produced by software systems, the lack of a means to obtain authoritative answers inevitably results in differences between vendor implementations and an overall lessening of quality. The days have long since passed when the burden was entirely on site staff to implement handbook guidance. That burden is now shared between site staff and software vendors with vendors being responsible for the integrity of all of the certification and voucher calculations.

Recommendation # 2:

Legislative Policy TRACS: Set up a formal mechanism by which developers can receive the guidance they need to implement the handbook.

Legislative Policy TRACS: Under current handbook rules, information on tenants who are not subsidized is not transmitted to TRACS. This results in an inability to track apartment utilization and causes a variety of other problems. One simple example is that of a subsidized tenant who is terminated as a result of greatly increased income. After the termination, TRACS loses sight of that tenant and will never know if the household changes units or moves out. The household record in TRACS is orphaned and will remain in the database as active until such time as that person moves into another unit in another property or becomes subsidized again in the same property.

Recommendation # 3:

Require data transmissions for all tenants in subsidized properties. To enable this change, the HUD Handbook 4350.3 REV-1 needs to be modified to require a minimum of information on market rent tenants.

TRACS makes its data available through queries accessible through the Web Access Secure System (WASS). Access to this information is a key requirement for troubleshooting in cases where site and TRACS data differ. However large numbers of site staff do not have neither internet access nor secure system access.

Recommendation # 4:

Legislative Policy TRACS: Make it a requirement for those who submit data to contract administrators or to TRACS to have secure system (WASS) access.

HUD's policy of paying most vouchers in advance creates data quality issues and burdens on software developers and TRACS. If payments were made in arrears this would eliminate the need to store certifications effective in the future—a requirement that relates in complex data cleanup when the future data is invalidated by other events at the property such as move-outs, terminations, and unit transfers.

Recommendation # 5:

Legislative Policy TRACS: Consider paying HAP vouchers in arrears. This recommendation needs to be completed to eliminate issues with adjustments on each month's voucher.

REC-003.01: 012345789: TRACS Deficiencies

TRACSMail: All submission of certification and voucher transactions is done via TRACSMail, billed as a temporary solution to the problem of the demise of SprintMail and limited to dial-up connection speeds. Many users of the system process very large volumes of transactions and receive large response files from TRACS.

Legislative Policy TRACS: Recommendation: Replace TRACSMail with a web accessible transmission method allowing for high-speed data transfer.

Integration between tenant and voucher processing: The original design goal of TRACS was to provide a tight integration between certifications and vouchers and for the ability to generate vouchers and make payments based on data in TRACS. That goal has never been realized.

Recommendation:

Legislative Policy TRACS: Implement the controls that will allow the realization of the original TRACS purpose.

Certification processing model: TRACS processes tenant transactions in a specific order: first, move-outs; second, terminations; third, full certifications; fourth, unit transfers and gross rent changes. The result is that TRACS is unable to successfully deal with transmissions containing perfectly legal sequences of actions such as a move-in to a unit on one day followed by a move-out on another day. This deficiency is responsible for both data quality issues in TRACS and for higher complexity and cost of vendor software forced to deal with these idiosyncrasies.

Legislative Policy TRACS: Recommendation: As part of TRACS reengineering, change to a processing model based on effective dates rather than certification type.

TRACS error messages: TRACS edits and associated error messages have accumulated since the first release of TRACS. There is little or no documentation as to the specific fields being looked at and the program logic involved in issuing any particular error message. This causes a burden on the industry where there is a desire to prevent owners from sending unacceptable data to TRACS. Also, many edits are obsolete.

Legislative Policy TRACS: Recommendation: Start from scratch and design the set of edits and discrepancy messages needed to properly enforce handbook rules. Issue proper documentation for these edits so that software vendors can implement similar ones at the property and contract administrator level.

Correcting dates and/or types of transactions: There is no mechanism for a user to change the effective date or certification type of a certification previously sent to TRACS. This lack causes the TRACS database to house a significant number of bogus transactions. For example, if an owner transmits an annual certification effective 2/1/2004 by mistake and had intended to send an interim recertification effective on the same date, there is no easy way to cause TRACS to accept the change.

Legislative Policy TRACS: Recommendation: Provide for a correction method.

Deleting transactions sent in error: There is no mechanism for a user to cause a record transmitted in error to be deleted from the TRACS database. For example, if the owner moves the wrong person in from the waiting list, it is not possible to delete this transaction from TRACS. The best that can be done is to send a move-out effective the same day as the move-in. This leaves the tenant in TRACS for a one-day residency.

Legislative Policy TRACS: Recommendation: Provide for a delete mechanism with appropriate accountability. For certifications sent through contract administrators, the CA could be responsible for passing on to TRACS only legitimate requests. For certifications sent direct to TRACS, the deletion could be handled or authorized by the Help Desk.

TRACS Program Documentation: There is a lack of program documentation sufficient to allow TRACS programmers and analysts to know exactly what TRACS does and for the industry to duplicate functionality and edits.

Legislative Policy TRACS: Recommendation: Generate adequate program documentation. If this is not possible for the current TRACS, make this a requirement for a reengineered system.

Batch processing: TRACS currently attempts to process all transmissions sent in a day as part of an overnight batch process. The result is a delay between time of submission and when responses are available to the sending entity.

Legislative Policy TRACS: Recommendation: Consider real-time processing so that users can have immediate feedback concerning the quality of the data submitted.

Short processing time: The current nightly production schedule starts at 6:00 PM with the MAT process editing the raw transmission data and loading it into tables for the Tenant and Voucher Batch Systems. The Voucher Batch system executes immediately following the MAT process, and the modules that prepare the LOCCS request file are usually finished before 8:00 PM. LOCCS used to start their nightly run at 10:00 PM and the send their response file back to TRACS by 2:00 AM. The final Voucher Module for the cycle

is run after the LOCCS response file has been received. The LOCCS schedule may have changed, but this provides a general idea of the current Voucher Batch process.

The Tenant Batch System cannot be started until CICS is brought down at 8:00 PM. The Voucher processing that occurs before vouchers are sent to LOCCS is normally completed before the Tenant Batch process starts.

Legislative Policy TRACS: Recommendation: Remove the CICS dependency. The CICS dependency is a legacy dependency when the field office was using the CICS application to make queries and generate reports from the Tenant database. If CICS was active while running the batch system, field office personnel could be in contention with the batch system over the Tenant database. Some of the old CICS applications have been redesigned and moved to the web. A survey measuring the requirements for the remaining CICS applications has been distributed to determine what if any CICS applications need to be migrated to the web. Some of the older web queries use the production database, but the newer applications use the “archive” database. The potential contention for production database resources can be eliminated by discontinuing the legacy CICS applications and by revising the web queries using the production database to use the “archive” database. This would enable starting the Tenant Batch System immediately upon completion of the MAT process instead of waiting until 8:00 PM. One or more hours at the beginning of the cycle can make a significant difference in the transaction volume that can be processed during the window. Removing the CICS dependency also opens up the tail end of nightly cycle so that it may be possible to stretch the window to assure that all Tenant transactions are processed.

Rule # REC-004.00: 012345789: Contract Administration

Contract administrators are taking on a greater role in auditing owner's electronic data submissions. However there are many differences in audit policies from contract administrator to contract administrator and in how certifications are included on vouchers.

Recommendation # 1:

Legislative Policy TRACS: Provide a uniform set of rules for this work so that all Contract Administrators are held to the same standards.

Recommendation # 2:

Legislative Policy TRACS: Seek legislative authority to allow performance based contract administrators to work with the entire multifamily portfolio—not just with Section 8.

Rule # REC-005.00: 012345789: Key Operational Terms

The goal in this section is to outline the deficiencies in the current definitions and implementations of Projects, Contracts/Subsidies, Units, and Households and to provide recommendations for improvement.

REC-005.01: 012345789: Project

Project: (see 2-25.B p 2.19 + 2-32.C.1.a, p 2.28 + Appendix 6 F) The TRACS implementation of project is tied to the FHA number. Within HUD, however, the term “project” means different things to different Offices and different people. Project number in the Office of the Chief Financial Officer (CFO) means the same as subsidy contract number in TRACS. Unfortunately, not all Section 8 properties have an FHA number. One consequence of this fact is that TRACS is unable to maintain unit address and accessibility information in its database unless the unit is occupied. This shortcoming complicates site level software requiring it to resubmit unit address information whenever a new person occupies a unit.

There have been cases where different projects shared the same FHA number.

Legislative Policy TRACS: Recommendation: TRACS should implement a unique project identifier for all multifamily properties. The REMS property id would serve well for this purpose.

Normally, a single FHA project number is associated with one or more HAP contracts. There are areas where a single HAP contract is associated with multiple project numbers. I believe that there are around 40 of these situations - the result of few, if any, enforced standards for field office processes.

This anomaly creates a requirement for HQ software, and now PBCA software to handle both multiple contracts for a project number and multiple projects for a contract number. Since vouchers are submitted by contract, those owners who have the multiple projects for a contract have to consolidate their projects in one voucher. If the projects are separate sites, this could be a burden and a control problem for the owner. From the software side, HUD is paying inflated software development costs to accommodate this anomaly.

Legislative Policy TRACS: Recommendation: Work with the field offices to avoid creating any more of these arrangements, and seek legislative approval to fix the existing anomalies by either assigning a unique contract number to each of the unique

project numbers, or assigning a single project number - whichever works. The result would be greater accountability for Section 8 contracts.

REC-005.02: 012345789: Contract/Subsidy Type

Duplicate and multiple identifiers: There have been cases where the same Section 8 contract number has been assigned to multiple contracts at different properties.

Legislative Policy TRACS: Recommendation: Check the TRACS database for such situations and assign new numbers as necessary to eliminate the duplication. This work would require legislative approval.

The fact that there are properties with more than one FHA number covering the same type of subsidy causes many problems. Site software is forced to treat the data as belonging to multiple properties, making it difficult to produce a combined voucher.

Legislative Policy TRACS: Recommendation: Implement the suggestions in REC-005.01 above.

Contract Merges: Like unit transfers and gross rent changes, the act of combining contracts does not call for recertifying the tenants. In most cases, recertifying the tenant for actions affecting the unit or the contract doesn't change the tenant rent. However, it can affect the tenant rent if an age threshold has been passed since the effective date of the certification being superseded affecting allowances. The current MAT approach to recording combined contracts requires the owner/agent to submit two transactions for every tenant. If 200 tenants are affected, 400 transactions need to be created to record the contract number changes. The termination transaction, if correctly coded, identifies the terminated certification as terminated due to either an expired contract or being combined with another, unidentified, contract. The certification transaction has no reference to the previous contract, and it may produce an unjustified change in tenant rent. The current MAT approach to handling contract combinations provides no audit trail for the combined contracts. It can also add significantly to the nightly TRACS transaction volume possibly forcing Tenant transaction rollover for processing in a subsequent cycle.

Legislative Policy TRACS: Recommendation: One alternative is to create a MAT transaction specifically for implementing contract combinations. This could be done as a new contract level transaction that globally creates new occurrences of certifications effective on the combination date but with the new contract number. The transaction would be limited to combining two pre-universe or two post-universe contracts. If a provision for changing the contract rent is also required, the transaction will have to be by tenant. Even at one transaction/tenant it would still cut the MAT

transaction volume by half and the record volume by over 80%. (Currently, the Termination is a one record transaction, and a certification averages five records.) This could work with the proposed data flow or the existing data flow. Used with the existing data flow, the combined contract transaction would contribute to keeping the CA and TRACS data in synch. This alternative removes the dependence on the field offices following standard procedures. The existing TRACS module that handles contract combinations could be modified to accept its input from a MAT table instead of ARAMS. Other alternatives are possible and should be researched.

REC-005.03: 012345789: Unit

Unit: The TRACS concept of unit is only loosely tied to reality. One problem is that owners are permitted to change unit numbers at any time. Not only do sites often fail to follow best practice when changing numbers but the changes sever the link between a physical unit and voucher reporting.

In group homes more than one tenant lives in the same physical unit. Each tenant is certified independently. However the TRACS contracts database records units as they appear on the contract. The contract covers a number of physical units. The voucher is for a number of residential spaces. This discrepancy generates problems when auditing voucher submissions. Contracted units and vouchered residential spaces aren't necessarily the same.

Legislative Policy TRACS: Recommendation: Consider amending existing contracts and requiring new contracts and renewals to express contracted units in terms of residential spaces. This would enable a positive validation of contracted residential spaces on the voucher against the subsidy contract. It would automatically organize the contracts database around number of residential spaces rather than physical units.

The contracts database also lacks a universal definition of floor plans (unit types). It records the bedroom count categories found in the contract. Each contract is authorized for certain numbers of units each of a particular type. Each type has an associated rent and utility allowance. All of the units covered by a contract could be two-bedroom units, but they could be grouped in various rent categories for reasons that are not explained by the bedroom count. What differentiates between units with different rents is not in the database making it impossible to audit vouchers for compliance with the regulatory agreement. TRACS has no way to tell if a property is billing for more than its allowed units of a specific type. It can only check to see if the total units billed is less than or equal to the total number of authorized units. TRACS is also unable to tell if the rents submitted with a certification are correct.

Legislative Policy TRACS: Recommendation: The solution to these problems is to assign a unique and unchanging identifier to each residential space in a property and to update the contracts database to carry adequate floor plan and rent information. Rents should be defined by residential space. The unique unit identifier, along with the traditional unit number, would both be submitted to TRACS. Under this model, an owner could change unit numbers at will and not disrupt the auditing capabilities of contract administrator and TRACS software. TRACS will need a table containing the unique residential space identifier and the floor plan data for validating tenant certifications. If the property id is adopted as an identifier, the existing tenant address table could be modified to contain these additional data.

REC-005.04: 012345789: Household

Household: An early decision in TRACS was to organize its certification data around the social security number (SSN) of the head of household. This fact interjects complexity into the system when there is a change of the head in a household. TRACS requires that information about the previous head be transmitted in the certification implementing the change so that it can tie the new certification to previous ones. The correction of a social security number entered in error also requires the previous head information for the same reason. When owner software fails to submit the previous information, TRACS will often create a new household and show two households occupying the same unit.

Recommendation: Consider requiring owners to submit a unique household identifier with certifications. The presence of this identifier would eliminate the need for previous head information.

Recommendation:

Legislative Policy TRACS: Consider reorganizing the Tenant database by residential space identifier within a contract instead of by SSN. Subsidy contracts are written to assist a specific number and type of residential spaces. Vouchers bill for assistance due for contracted living spaces. The amount of assistance is based upon the characteristics of the household occupying the residential space. It would facilitate verifying tenant compliance when a voucher is processed if the Tenant database were organized by residential space within a contract.

Legislative Policy TRACS: Verify SSNs against the three national credit bureau databases.

Chapter 5. Project/Contract Rules (PRJ)

Rule # PRJ-001.00: n12nnnnnn: Section 231 Occupancy Mix

Handbook

HANDBOOK (1-3.A.3, p 1.4): In Section 231 properties, elderly persons or elderly families must occupy no less than 50 percent of the units. In units designated as elderly units, owners must restrict occupancy to an elderly person or an elderly family. Owners may admit nonelderly physically disabled families to the nonelderly units up to the percentage allowed in the Regulatory Agreement. The property may serve a greater percentage of nonelderly persons with physical disabilities than the percentage allowed in the regulatory agreement only after the owner has received written approval from HUD.

HANDBOOK (3-18.A.1.a, p 3.51): A minimum of 50% of the units in a Section 231 project and a maximum of 100% of the units will have been designated at development as reserved for elderly persons or elderly families.

TRACS

TRACS does not currently monitor this requirement.

Recommendations

Legislative Policy TRACS: Develop a report that will calculate the percentage occupancy by elderly families in Section 231 properties.

Legislative Policy TRACS: Develop a report that will calculate the percentage occupancy by non-elderly physically disabled families in Section 231 properties.

Rule # PRJ-002.00: 012345789: Requirements for accessible units

Handbook

HANDBOOK (2-32, pp 2.27-2.28): Assigning Accessible Units

(A) Applicability

The requirements of this paragraph apply to the following projects and dwelling units:

(1) Projects with five or more units.

NOTE: HUD recommends that owners of projects with fewer than five units follow these policies to the extent practicable.

(2) Units made accessible under Section 504 as described in Subsection 3 and units designed for disabled families/households when the project was approved for funding.

(B) Eligibility for Accessible Units

(1) A percentage of units in most properties contain accessible features. Eligibility for these accessible units may be limited to a specific population (e.g., persons with mobility impairments). (See Chapter 3, Section 2, for more information about project eligibility.)

TRACS

TRACS allows for submission of MAT15 records containing unit address and accessibility information. A unit may be designated as being accessible for those with mobility, vision, or hearing impairments.

Issue: Current TRACS data collection is not able to distinguish between units made accessible as required by the regulatory agreement and those made accessible under section 504, and therefore is not able to monitor compliance with the agreement.

Recommendations

Legislative Policy TRACS: Clarification needed: Owners and agents are unclear as to the definitions to be used in indicating whether a unit is Mobility, Vision, or Hearing accessible. Definitions, in many cases, have changed over time. In submitting MAT15 records, should the definitions in effect at the time the property became subsidized be used for units made accessible under the regulatory agreement or some other set of definitions?

Legislative Policy TRACS: Clarification needed: Similarly, what definitions should be used in indicating whether a household needs a unit that is Mobility, Vision, or Hearing accessible: the program specific definitions or commonsense ones?

Rule # PRJ-003.00: n1nnnnnn: Section 8 Income Targeting

Handbook

HANDBOOK (3-6.D.1.a, p 3.5): Section 8 property owners must use the extremely low-income limit when selecting applicants to fulfill the income-targeting. (See paragraphs 4-5, 4-15, and 4-25.)

HANDBOOK (4-5, p 4.7): Income-Targeting – Applicable Only to the Section 8 Project-Based Program Except Where Otherwise Noted

(A) Key Requirements

For each project assisted under a contract for project-based Section 8 assistance, the owner must lease not less than 40% of the dwelling units (assisted under the contract) that become available for occupancy in any project fiscal year to extremely low-income families. The methodology for income-targeting must be described in the tenant selection plan. (For information and guidance about income limit exceptions, see paragraph 3-7.)

NOTE: Compliance with income targeting requires owners to count both move-ins and initial certifications.

TRACS

TRACS does not currently monitor compliance with this requirement.

Recommendations

Legislative Policy TRACS: Clarification needed: Is there a reason why project fiscal year was selected as the standard period of time? Monitoring compliance would be simplified if a calendar year were used in place of a project fiscal year.

PRJ-003.01: n1nnnnnn: Exceptions to Section 8 Income Targeting

Handbook

HANDBOOK (3-7.F, p 3.12-3.13): Exceptions to Section 8 Income

Targeting Requirements

(1) As discussed in paragraph 4.5, owners with Section 8 units are required to ensure that during a fiscal year at least 40% of the units that become available, together with initial certifications of in-place tenants, serve extremely low-income families. If an owner has actively marketed available units to extremely low-income families and has been unable to achieve the 40% target for admissions and initial certifications, the owner is permitted to rent to other eligible families after a reasonable marketing period has expired.

(2) The owner must maintain complete records of the marketing efforts targeted to extremely low-income families, and must demonstrate that reasonable efforts were made to fill available units with extremely low-income families. The owner must also demonstrate that an ongoing effort to meet the 40% requirement is being made.

(3) HUD and/or the Contract Administrator will monitor compliance with this requirement.

TRACS

TRACS is unable to monitor this requirement because it has no access to waiting list and marketing information. Monitoring can only be done via a management and occupancy review.

Recommendations

Legislative Policy TRACS: Research this issue and determine whether modifications to TRACS are an appropriate vehicle for monitoring the requirement.

Rule # PRJ-004.00: n1nnnnnn: Preferences for the Elderly

Handbook

HANDBOOK (3-17.A, p 3.43): Owner-Adopted Preferences for Elderly, Near-Elderly, Nonelderly Disabled, and Disabled Families

Section 651 of Title VI, Subtitle D of the Housing and Community Development Act of 1992 permits owners of “covered Section 8 housing projects” designed primarily for occupancy by elderly families to adopt a selection preference for elderly families. An owner may, but is not required to, implement this preference. If the owner adopts the preference, it must be implemented in accordance with the rules described in this paragraph.

(1) Applicability. Owners of properties assisted through the following programs are eligible to implement this preference:

(a) Section 8 New Construction;

(b) Section 8 Substantial Rehabilitation;

(c) State Housing Agency programs for Section 8 New Construction and Substantial Rehabilitation;

(d) Rural Housing 515/8; and

(e) Section 8 Property Disposition Set-Aside (applies only to properties that involve substantial rehabilitation).

HANDBOOK (3-17.A.5, pp 3.45-3.46): When implementing the preference, an owner must:

(a) Notify nonelderly families on the waiting list of the decision to implement this preference and of the impact the decision will have on nonelderly families on the waiting list.

(b) Reserve a percentage of the units for occupancy only by disabled families or individuals who are neither elderly nor near-elderly (collectively referred to as “nonelderly disabled persons/families”) that is equal to the lesser of:

Chapter 5: Project/Contract Rules (PRJ)
Rule # PRJ-004.00: n1nnnnnnn: Preferences for the Elderly

(1) The higher of the percentage of units occupied by nonelderly disabled families on (i) January 1, 1992, or (ii) October 28, 1992; or

(2) 10% of the total number of units in the project.

NOTE: Although the reservation of units is capped at 10% of the total number of units, the owner can exceed the 10% cap as long as the units exceeding the cap are leased in a nondiscriminatory manner.

TRACS

TRACS does not currently enforce this rule. It has no way of knowing if an owner has adopted this preference.

Recommendations

N/a

Rule # PRJ-005.00: n1nnnnnn: Units for the Mobility Impaired

Handbook

HANDBOOK (3-17.B.2.c, p 3.48): For the Section 202 Direct Loan Program funded from Fiscal Year 1965 through Fiscal Year 1974 the following definitions and requirements are used:

(1) Elderly is defined as single people aged 62 or more or households the head of which (or the spouse) is aged 62 or more.

(2) The definition of elderly was amended to include “handicapped” in 1965. A person shall be considered handicapped if such person is determined to have a physical impairment which is (a) expected to be of long-continued and indefinite duration; (b) substantially impedes his ability to live independently; and, (c) is of such a nature that such ability could be improved by more suitable housing conditions.

(3) Ten percent of the units in a Section 202 project for the elderly were designed for people with mobility impairments and could house persons (elderly or nonelderly) who required the accessibility features of the unit; a Section 202 project could also be developed just for non-elderly persons with physical disabilities.

TRACS

TRACS does not currently monitor the requirement for number of units with mobility impairments in such a project.

Recommendations

Legislative Policy TRACS: If Housing is interested, a web report could be created to display the appropriate information.

Chapter 6. Eligibility (ELG)

Scope of Analysis

This section covers Chapter 5 (Eligibility for Assistance and Occupancy) in HUD Handbook 4350.3, Rev. 1. The rules cover the following subjects:

HANDBOOK (3-5, pp 3.3-3.4): Key Program Eligibility Requirements

Applicants and tenants must meet the following requirements to be eligible for occupancy and housing assistance. Subsequent paragraphs provide more detailed information about income limits, social security numbers, and consent forms.

(A) The family's annual income must not exceed program income limits.

(B) Applicants must disclose social security numbers for all family members at least 6 years of age and older and provide proof of the numbers reported.

(C) All adults in each applicant family must sign an Authorization for Release of Information prior to receiving assistance and annually thereafter.

(D) The unit for which the family is applying must be the family's only residence.

(E) An applicant must agree to pay the rent required by the program under which the applicant will receive assistance.

(F) Only U.S. citizens or eligible noncitizens may receive assistance under Section 8, Section 236, Rent Supplement, Rental Assistance Payment (RAP), and Section 202/8 programs.

(G) All information reported by the family is subject to verification.

(H) Various subsidy or insurance programs may impose additional occupancy restrictions.

HANDBOOK (3-14, p 3.33): Program versus Project Eligibility

(A) Program eligibility determines whether applicants are eligible for assistance.

(B) Project eligibility establishes whether applicants are eligible to reside in the specific project to which they have applied. Three things may affect the match between an applicant and the applicant's eligibility for occupancy in a particular project:

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Scope

(1) The extent to which all or some of the units in a project are designated for specific family types, such as those who are elderly or disabled;

(2) The project-specific occupancy standards established by the owner, the family size, and the unit sizes available in the project; and

(3) In some instances, a family's intention to lease using a housing-choice voucher subsidy that may be used in some projects and not in others.

(C) Although individual programs often serve more than one tenant population, individual projects might not.

Rule # ELG-001.00: n12345789: Definitions of Disability

Handbook

HANDBOOK (3-2.B, p 3.2): The terms “disability” and “persons with disabilities” are used in two contexts – for civil rights protections, and for program eligibility purposes. Each use has specific definitions.

(1) When used in context of protection from discrimination or improving the accessibility of housing, the civil rights-related definitions apply.

(2) When used in the context of eligibility under multifamily subsidized housing programs, the program eligibility definitions apply.

COMMENT: Clarification needed: As the handbook states, program specific definitions of disability are to be used for purposes of determining eligibility. Once admitted, are the same definitions to be used for the H Special Status Code (Appendix 7, C8)? This code is used to determine eligibility for the Deduction for Disability Assistance Expense, the Medical Expense Deduction, and the Elderly Family Deduction.

By way of comparison, for the Elderly Family Deduction, a generic age related definition of elderly family is used (Head, Spouse, or Co-Head 62 years of age or older) rather than the program specific definitions that might allow any household member to qualify the family. Are the program definitions of disability to be used to determine whether a household qualifies for an elderly deduction or should a generic definition be used?

TRACS

TRACS allows only family members to be identified as Handicapped/Disabled (Special Status Code “H”). Foster Children and those Living In the Unit cause a discrepancy to be generated if the ‘H’ code is set.

Recommendations

Legislative Policy TRACS: If the program definitions of disability are not to be used for determinations of adjusted income, TRACS data collection will have to be modified to capture the appropriate information so that eligibility and allowance determination can be done independently and correctly.

Legislative Policy TRACS: If there is interest in capturing the civil rights definitions of disability, TRACS would have to be modified to collect additional information.

Legislative Policy TRACS: Consider collecting disability information for each member of a household.

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Rule # ELG-001.00: n12345789: Definitions of Disability

Legislative Policy TRACS: Consider modifying TRACS to eliminate the current discrepancy. See TRACS above.

Rule # ELG-002.00: 012345789: When Eligibility is Determined

Handbook

HANDBOOK (3-4, p 3.3): Eligibility Determinations – General

Owners are required to determine whether applicants are eligible to occupy the subsidized property and receive housing assistance. Eligibility is determined by federal statute and HUD regulation. For HUD programs, eligibility is only determined at move-in or at initial certification except as discussed in paragraph 3-15.

COMMENT: Clarification needed: In Appendix 6 F.1.b, a unit transfer between contracts is mentioned as an exception to eligibility determination: “Unit transfer between two contracts. First process a termination (MAT 65) using the termination code CE (CE = Subsidy contract expired or combined with a renewal contract), and then process an initial certification (IC) for this tenant by fully completing the 50059 data requirements in Appendix 7. Because this is the same project, the tenant is not subject to admission and eligibility requirements.” Is this example intended to cover only contract combinations? If so, then would all other transfers between contracts within the same project be subject to eligibility checking? Or is this example intended to indicate a way to handle the case where a tenant transfers from a unit covered by one subsidy contract into a unit covered by another (comparable) subsidy contract? What if the contracts have different eligibility rules?

Also 2-32.C.1.a says “Current Tenants. Owners must first offer the unit to an individual with disabilities currently residing in a non-accessible unit in the same project or comparable project under common control, who requires the features of the unit.” Under the rules for unit transfers, this would be a transfer between two contracts and, presumably, no eligibility checking is to be done. Is this the case? If so, what is the definition of “comparable project?” If the only accessible unit is in an elderly project and the tenant is not elderly would the transfer not be offered?

Both of these cases represent exceptions to eligibility checking. Are there others beside the one in 3-15? For software implementation purposes, it would be useful to have a list of all cases when eligibility determinations are not made for in-place tenants along with an indication of which kinds of eligibility are waived—program (e.g. income), or project.

See also Chapter 4, Key Operational Terms-Project (Rule # REC-005.01) and Chapter 9 Rule # CRT-003.00.

TRACS

TRACS always performs eligibility determination when a unit transfer is submitted as a certification (MAT10, Section 2, Field 94 – Unit Transfer Code = “Y”).

TRACS does not perform eligibility determination when the unit transfer is submitted as a Unit Transfer (MAT70); however, the MAT70 cannot be used if there is a change in contract number.

Recommendations

Legislative Policy TRACS: Add an indicator to the MAT10, Section 2 record to indicate when eligibility determinations are waived as a result of situations specified in the handbook for move-in and initial certifications.

Legislative Policy TRACS: TRACS should not perform an eligibility determination when a unit transfer is submitted as a MAT10 record except when the certification type is MI or IC (annual or interim certification).

Rule # ELG-003.00: n12345789: Income Eligibility

Handbook

HANDBOOK (3-6.A, p 3.4): Income Eligibility

Except under limited circumstances, in order for an applicant to be eligible for occupancy, the applicant family's annual income must not exceed the applicable income limit (see paragraph 5-4 for the definition of annual income). This limit depends upon the type of subsidy and family size.

HANDBOOK (3-6.D.8, p 3.6): Projects with more than one type of subsidy. In projects with a combination of subsidy types, such as Section 221(d)(3) BMIR and Section 236 projects that also have Section 8 in a portion of the property, owners must use the eligibility income limit based on the type of assistance provided to the family. For example, applicants for a Section 236 project that receive Section 8 must qualify using the applicable Section 8 income limit.

HANDBOOK (3-6.F.3, p 3.9): Income-eligible families must have annual income that is less than or equal to the income limit for the family size.

TRACS

TRACS collects income limits as part of certifications and compares the reported limits to household income at admission and initial certification. However it does not verify that the correct values are used for the property.

Recommendations

Legislative Policy TRACS: Should HUD want to audit certifications for the correct values of income limits, a table of limits with effective dates will need to be stored in TRACS and updated annually. The MSA or MSAs associated with each property would also need to be stored. Fields would need to be added to the certification to show the date on which the property implemented the income limits, the property's MSA, and the date on which eligibility was determined. See also Rule # ELG.003.02.

ELG-003.01: n12345789: Establishing Income Limits

Handbook

HANDBOOK (3-6.B, p 3.4): Establishing Income Limits

(1) HUD establishes and publishes income limits for each county or Metropolitan Statistical Area (MSA) in the country. The income limits are based on the median income of the geographic area for which the limit is established. Therefore, the income limit for one city or county is likely to be very different from the income limit for another city or county.

(2) Income limits are published annually and are available from the local HUD office or on-line at www.huduser.org.

(3) Income limits are based on family size and the annual income the family receives. (Chapter 5, Exhibit 5-1 describes what is included in annual income.)

NOTE: In the case of a property with multiple buildings that are subject to different income limits, the owner may use the higher income limit for the entire property.

COMMENT: Clarification needed: The handbook offers no guidance on how long a property has to implement the new income limits after publication. A maximum number of days for implementation should be established to help contract administrators audit certifications for correctness. By way of reference, IRS Revenue Ruling 94-57 says that taxpayers may rely on a list of income limits released by HUD until 45 days after HUD releases a new list of income limits, or until HUD's effective date for the new list, whichever is later.

TRACS

If TRACS were to validate income limits, the implementation date for modified limits would have to be coordinated with the implementation date for owners; otherwise, owners could be implementing the limits before TRACS and force false discrepancies.

Recommendations

Legislative Policy TRACS: Publish an effective date for new income limits when the limits are published. The effective date should anticipate a delay between the publication date and the effective date. In a future version of TRACS, income limits could be checked as an "up-front" validation.

ELG-003.02: n12345789: Timing of Income Eligibility Determinations

Handbook

HANDBOOK (3-6.C, pp 3.4-3.5): Timing of Income Eligibility Determinations

(1) Owners determine income eligibility prior to approving applicants for tenancy. Owners compare the family's annual income to the appropriate income limit prior to placing an applicant on the waiting list. However, owners may wait until a unit is available to verify the applicant's income eligibility.

(2) Owners are required to report the income status of each assisted tenant to HUD at least annually. Tenants whose incomes increase above the income limit continue to receive assistance so long as they qualify for assistance in paying rent under the applicable program rules. (See Chapter 5, Section 4, and Chapter 7, Section 1, for more information.)

COMMENT: Clarification needed: When is a tenant's income eligibility for admission established? When complete information is submitted to the owner? On the date of the last verification received? On the date that the owner determines eligibility? When an offer is made? When a lease is signed? When a certification is calculated and signed? On the effective date of the move-in or initial certification? This is important in relation to the time when income limits change. Should a limit go down, a person who was eligible yesterday might not be eligible today. A lease could have been signed prior to the change or an offer could have been made, however. In 3-6.C.1, the handbook says that owners determine income eligibility prior to approving applicants for tenancy. One possibility is to define the eligibility date as the approval date and to limit the lifetime of the approval 120 days after the first verification is completed. See also Rule # ELG-003.00.

Example: Applicant applies for admission on January 1. Eligibility, including financial information, is verified on January 27. A written offer is made on February 17. Income limits drop on February 18, making the applicant ineligible. The offer is accepted on February 20. A lease and certification are signed on February 25. Applicant moves in on March 1.

TRACS

TRACS does not collect the data necessary to validate the timing of eligibility determinations.

Recommendations

Legislative Policy TRACS: Specifically identify the event whose date is used to determine income eligibility. See example above.

ELG-003.03: n12345789: Program Income Limits

Handbook

HANDBOOK (3-6.D, p 3.5): Program Income Limits

The income limits used to determine eligibility vary by program and are as follows: the Below Market Interest Rate (BMIR) income limit, the low-income limit, and the very low-income limit. A family's eligibility for assistance is based on the income limit applicable to the type of housing assistance the family is to receive. A family may be income-eligible for one program but have too high an income for another program.

In addition to the three income limits used to determine eligibility, there is a fourth – the extremely low-income limit – used for income-targeting in Section 8 projects but not for eligibility (see paragraphs 4-5, 4-15, and 4-25). These four income limits are presented in Figure 3-2.

Figure 3-2: [from Handbook] Income Limits

All of these income limits are based on the median income for a metropolitan statistical area (MSA). This table shows the four income limits as a percentage of median income in an MSA.	
Income Limit	Median Income for the Area
BMIR income limit	95% of median income
Low-income limit	80% of median income
Very low-income limit	50% of median income
Extremely low-income limit	30% of median income

HANDBOOK (3-6.D.8, p 3.6): Projects with more than one type of subsidy. In projects with a combination of subsidy types, such as Section 221(d)(3) BMIR and Section 236 projects that also have Section 8 in a portion of the property, owners must use the eligibility income limit based on the type of assistance provided to the family. For example, applicants for a Section 236 project that receive Section 8 must qualify using the applicable Section 8 income limit.

TRACS

TRACS stores values for the Low, Very Low, and Extremely Low income limits. In the case of a BMIR certification, the BMIR limit is stored in the Low-income limit field.

Recommendations

Legislative Policy TRACS: Add a field to TRACS to store the BMIR limit when applicable rather than use the Low-income limit field for two purposes.

ELG-003.04: n1nnnnnnn: Section 8 Income Eligibility

Handbook

HANDBOOK (3-6.D.1, pp 3.5-3.6): Section 8 Income Eligibility. Section 8 properties, depending upon the effective date of the initial Housing Assistance Payments (HAP) contract for the property, use either the low or very low-income limit.

(a) Section 8 property owners must use the extremely low-income limit when selecting applicants to fulfill the income-targeting. (See paragraphs 4-5, 4-15, and 4-25.)

(b) Projects with HAP contracts initially effective on or after October 1, 1981, must admit only very low-income families unless HUD has approved an exception to admit families whose incomes are above the very low-income limit.

(c) Projects with HAP contracts initially effective prior to October 1, 1981, may admit families up to the low-income limit.

NOTE: Exceptions to income limits may be applicable under limited circumstances. See paragraph 3-7.

TRACS

TRACS expects an Income Status code of Low, Very Low or Extremely Low to be submitted with all Section 8 certifications.

TRACS expects Move In or Initial Certifications for Pre_1981 contracts to have an annual income that does not exceed the low-income limit.

TRACS expects Move In or Initial Certifications for Post-1981 contracts to have an annual income that does not exceed the very low-income limit.

TRACS expects annual and interim Section 8 certifications designated as Post-1981 that have an annual income amount between the very low- and low-income limit amounts to contain a current income status code of “L”, “V”, or “E” for low, very low, or extremely low, respectively.

TRACS expects the low-income limit to be populated with an amount greater than zero for Section 8, 202 and 811 PRAC, and 202/162 PAC certifications.

TRACS expects the very low-income limit amount to be populated with an amount greater than zero for Section 8, 202 PRAC and 811 PRAC certifications. The very low – income limit amount should be zero for all other subsidy types.

Recommendations

[X] Legislative [X] Policy [X] TRACS: Eliminate the “Pre-1981” and “Post-1981” designation from Section 8 Contracts and Tenant certifications. There is already a mechanism for granting exceptions for tenants above the low-income threshold. The mechanism may need to be modified to meet genuine requirements of the industry. This would simplify administration in general and enable combining Pre-1981 and Post-1981 contracts.

ELG-003.05: nn234nnnn: Section 236, Rent Supp & RAP

Handbook

HANDBOOK (3-6.D.2, p 3.6): Section 236, Rent Supplement, and Rental Assistance Payment (RAP). These programs use the low-income limit to establish program eligibility.

TRACS

TRACS does not require submission of income limit amounts for Section 236, Rent Supplement and RAP certifications.

TRACS expects the current income status code to be blank for these subsidy types.

Recommendations

Legislative Policy TRACS: Modify TRACS to require submission of the low-income limit amount with Section 236, Rent Supplement and RAP certifications.

ELG-003.06: nnnnnnn9: Section 202/162 PAC Income Eligibility

Handbook

HANDBOOK (3-6.D.4, p 3.6): Section 202/162 with Project Assistance Contracts (Section 202 PACs). These contracts use the low-income limit.

TRACS

TRACS expects the low-income limit to be populated with an amount greater than zero for Section 8, 202 and 811 PRAC, and 202/162 PAC certifications.

TRACS does not expect the annual income to exceed the low-income limit amount.

Recommendations

N/a

ELG-003.07: nnnnnn78n: Section 202/811 PRAC Income Eligibility

Handbook

HANDBOOK (3-6.D.5, p 3.6): Section 202/811 with Project Rental Assistance Contracts (Section 202/811 PRACs). These assistance contracts use the very low-income limit (except properties funded in FY 1995, which use the low-income limit). Owners must receive approval from HUD Headquarters to admit families whose incomes are above the very low-income limit. (See paragraph 3-8 A7 and 3-19 G.)

COMMENT: Clarification needed: What is the definition of “funded in FY 1995?” Presumably the date range is from 10/1/1994 through 9/30/1995. However, what exact contract event can be used to determine the date? The effective date of the contract? Or some other date? Is the date stored in the contracts database?

Does “funded” refer to the Capital Advance or the PRAC.

Do owners need approval from HUD to admit families above the very low-income limit for properties funded in FY 1995 as well as those funded in other years?

TRACS

TRACS expects the low-income limit to be populated with an amount greater than zero for Section 8, 202 and 811 PRAC, and 202/162 PAC certifications.

TRACS expects the very low-income limit amount to be populated with an amount greater than zero for Section 8, 202 PRAC and 811 PRAC certifications. The very low – income limit amount should be zero for all other subsidy types.

TRACS does not expect the annual income amount to exceed the very low-income limit amount.

Recommendations

Legislative Policy TRACS: Identify how TRACS, or any other software, can identify which PRAC contracts are affected by the “FY 1995” exception. Is this another “Pre-1981/Post-1981” situation in the making?

Legislative Policy TRACS: Modify TRACS to specifically require submission of very low-income limits except for those contracts that can be identified as FY 1995. Certifications associated with the FY 1995 contracts require the low-income limit.

ELG-003.08: nnnn4nnnn: BMIR Income Eligibility

Handbook

HANDBOOK (3-6.D.6, p 3.6): Section 221(d)(3) BMIR. This program uses the BMIR income limit, which is set at 95% of the area median income.

TRACS

TRACS requires the BMIR income limit to be submitted as the low-income limit.

Recommendations

Legislative Policy TRACS: Modify TRACS adding a field for entry of the BMIR income limit amount.

ELG-003.09: n12345789: Income Limits and Family Size

Handbook

HANDBOOK (3-6.E, pp 3.7-3.8): Income Limits and Family Size

(1) Income limits vary by family size. Income limits are published based on the number of persons in the household (for example, 1 person, 2 persons, 3 persons) with increasingly higher income limits for families with more members.

(2) Once the owner determines the applicable income limits based on the type of subsidy in the property, the owner must determine the appropriate limits to apply to a family based on family size. In determining the appropriate income limits, the owner must include some individuals as part of the family but exclude others.

(3) When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

(a) Live-in aides. A person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:

(1) Is determined to be essential to the care and well-being of the person(s);

(2) Is not obligated for the support of the person(s); and

(3) Would not be living in the unit except to provide the necessary supportive services.

While a relative may be considered to be a live-in aide/attendant, they must meet the above requirements, especially the last. The live-in aide qualifies for occupancy only as long as the individual needing supportive services requires the aide's services and remains a tenant, and may not qualify for continued occupancy as a remaining family member. Owners are encouraged to use a HUD-approved lease addendum that denies occupancy of the unit to a live-in aide after the tenant, for whatever reason, is no longer living in the unit. (See paragraph 6-12 C for more information.) The lease addendum should also give the owner the right to evict a live-in aide who violates any of the house rules.

(b) Foster children or foster adults. (See the Glossary for the definition.)

(c) Guests. (See the Glossary for the definition.)

COMMENT: Clarification needed: It would be useful to expand on this list in (3-6.E.3) beyond Live-in Aides, Foster Children, and Guests. Other than Foster Children, the current MAT guide uses the relationship code 'L' to indicate someone who is living in

the unit but is not considered family. These might include a spouse, child, or parent of a Live-in aide. Also, the industry assumes that Foster Adults should be assigned an 'L' code. Is this correct? Such people used to be coded as 'N' (none of the above). Would an exchange student be another example of someone who would be coded as an 'L'? None of these people would be considered guests, but their presence would not be applicable for income limit determination nor would their incomes count as family income.

HANDBOOK (3-6.E.4, pp 3.8-3.9): When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- (a) Children temporarily absent due to placement in a foster home;
- (b) Children in joint custody arrangements who are present in the household 50% or more of the time;
- (c) Children who are away at school but who live with the family during school recesses;
- (d) Unborn children of pregnant women.
- (e) Children who are in the process of being adopted.
- (f) Temporarily absent family members who are still considered family members. For example, the owner may consider a family member who is working in another state on assignment to be temporarily absent;
- (g) Family members in the hospital or rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined in subparagraph f above; and
- (h) Persons permanently confined to a hospital or nursing home. The family decides if such persons are included when determining family size for income limits. If such persons are included, they must not be listed as the head, co-head, or spouse on the lease or in the data submitted to TRACS but may be listed as other adult family member. This is true even when the confined person is the spouse of the person who is or will become the head. If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income. See paragraph 5-6 C.

COMMENT: Clarification needed: What is the status of children present in the unit less than 50% of the time? From this paragraph they are not considered for income limits. Presumably they are considered for unit size determinations or are they? 5-10.B.4 allows for both households to claim childcare expenses in split custody situations. Also, if custody is split 50/50, then the child counts as a household member for income limit purposes for both households. However later guidance indicates that only one household

may take the dependent allowance at a time. Are there any limits on the custody percentage below which the childcare expenses cannot be claimed or the child is not considered for unit size determinations?

Paragraph 3-22.E.6 (page 3.60) lists children whose custody is being obtained as counting for unit size determination. Should such people be counted for income limit purposes also?

HANDBOOK (3-6.E.5, p 3.9): When determining income eligibility, the owner must count the income of family members only.

TRACS

TRACS does count as family income the first \$480 earned by a full-time student.

TRACS does not count the earned income of members under 18-years of age.

TRACS expects a foster child to be under 18-year of age.

TRACS expects the Head of Household, Spouse or Co-head to be at least 15-years of age.

TRACS does not expect foster children and live-in aides to report income, and it excludes any income amounts reported for these members.

Recommendations

Legislative Policy TRACS: The published limits are for family sizes ranging from 1 to 8. Income limits for family sizes > eight are calculated according to a formula: 8% of the four person income limit is added to the eight person limit for each additional family member. The result is rounded to the nearest \$50. If a decision is made for TRACS to audit income limit correctness, then TRACS will have to calculate values for family sizes greater than 8. Also, this formula should be included in the Handbook and/or MAT guide for reference. See the Income Limit Briefing Material document published each year along with the limits: <http://www.huduser.org/Datasets/IL/IL04/BRIEFING-MATERIALs.pdf>

Legislative Policy TRACS: At present there is no formal HUD/TRACS defined specification for how Unborn Children and Pending Adoptions are to be included in a certification and added to the count of family members. The complication is that such people count as household members but do not count for allowance calculations. Such a specification should be drafted and TRACS modified to accept the changed definitions.

TRACS needs to be modified to allow a child to be entered as a member of the family and not to count as a dependent but to allow childcare expenses.

There are differences between the categories of people listed here for income limit determination and those listed on page 3-60 for unit size determination. Are these differences intentional? For example, page 3-60 says that an owner MAY count children who are away at school and who live at home during recesses when determining unit size. On page 3-6, such children MUST be included in family size for income limit determinations. Having a person count as family for one purpose and possibly not for another at the owner's option places a burden on software vendors, auditors, and owner/agents.

Legislative Policy TRACS: Harmonizing the lists and wording would help tremendously. If there are deliberate differences between the lists, it would be helpful to say so explicitly. It would be extremely useful to publish a single table listing all of the types of people mentioned for income limit determination, unit size determination, and whose income is counted. Columns in the table should include Income Limits, Unit Size, and Income. This would be an expansion on and similar to the current Figure 5-2 on Page 5-7.

Legislative Policy TRACS: Add a specific relationship code or special status code to identify live-in aides. When the current relationship codes were devised, the live-in aides lost their unique identity. Creating a unique relationship code or special status code for live-in aides will enable confirming that a person requiring the live-in aide resides in the unit.

Legislative Policy TRACS: Additional relationship or special status codes may be needed to specifically identify members that receive special treatment, such as counting for child care, but not counted as a family member.

ELG-003.10: n1234?nn9: Income eligible families need assistance

Handbook

HANDBOOK (3-6.F.4, p 3.9): Income-eligible families must also need the assistance. The amount the family would be required to pay using the applicable HUD rent formula must be less than the gross rent for the unit or market rent for Section 236 projects.

NOTE: This requirement does not apply to Section 202 PRACs or Section 811 PRACs.

COMMENT: Clarification needed: BMIR is not mentioned as an exception in 3-6.F.4. Should it be?

TRACS

TRACS does not assure that the Assistance Payment Amount, for other than PRACS, is greater than zero.

TRACS sets the assistance payment amount to zero for BMIR certifications.

Recommendations

Legislative Policy TRACS: Modify TRACS to detect a calculated AP of zero or less when the subsidy type is other than 202 Or 811 PRAC.

ELG-003.11: n123nn789: When income is not needed

Handbook

HANDBOOK (3-6.F.5, p 3.9): IMPORTANT: A household does not need to have income to be eligible for assisted housing programs that provide rental assistance through an assistance contract (i.e., Section 8, Rent Supplement, RAP, Section 202 PAC, Section 202 or Section 811 PRAC).

COMMENT: Clarification needed: Is the converse true for Section 236 and BMIR—namely that income is required?

TRACS

TRACS does accept zero-income certifications.

TRACS sets the assistance payment amount to zero if no income is reported for Section 236 or BMIR certifications. (This is superfluous logic since no assistance is paid on Section 236 or BMIR certifications.)

Recommendation

Legislative Policy TRACS: If income is required for Section 236 and BMIR, TRACS could check certifications for this condition and issue a discrepancy when it is not met.

ELG-003.12: n1nnnnnnn: Section 8 exceptions to income limits

Handbook

HANDBOOK (3-7, pp 3.9-3.10): Exceptions to the Income Limits in Section 8 Projects

(A) Post-1981 Universe

On October 1, 1981, a law became effective limiting income eligibility for Section 8 assistance. At properties with Section 8 contracts effective on or after that date, only families at or below the very low-income limit are eligible for assistance. Under certain circumstances, the owner may request an exception to the very low-income limits. For this universe of properties, HUD has 15% exception authority, which it allocates on a nationwide basis. Exceptions are described in subparagraph D below.

(B) Pre-1981 Universe

In this universe of properties, the law restricts occupancy by families that are other than very low-income to 25% of overall occupancy. Properties with Section 8 contracts effective prior to October 1, 1981, may admit applicants with incomes up to the low-income limit. HUD Headquarters is tracking the 25% restriction on a nationwide basis. The owner does not need to request an exception to admit low-income families to these properties.

COMMENT: Clarification needed: How is the exception authority being tracked? Is the relevant certification the move-in or initial certification? The Post-1981 language refers to income eligibility. The Pre-1981 language refers to occupancy. Is this an intentional difference in wording? If so, what are the implications for tracking?

TRACS

TRACS expects the Income Exception Code to be valued if the certification's Continuous Section 8 Assistance Indicator is "Y" and the annual income amount is between the very low- and low-income limits.

TRACS expects the Income Exception Code to be blank if the certification's Continuous Section 8 Assistance Indicator is "N".

Other than checking that a Section 8 certification is identified as Pre-1981 or Post-1981, TRACS edits for "Section 8 Assistance 1984" if Post 1981 and low-income is indicated.

Recommendations

Legislative Policy TRACS: TRACS could generate reports relevant to these issues.

Chapter 6: Eligibility (ELG)

ELG-003.12: n1nnnnnn: Section 8 exceptions to income limits

Legislative Policy TRACS: If the Continuous Section 8 indicator field is dropped from the MAT, modify TRACS edits dealing with income exception codes.

ELG-003.13: n1nnnnnn: Section 8 exceptions for in-place tenants

Handbook

HANDBOOK (3-7.C, p 3.10): Eligible In-Place Tenants

(Exceptions to the income limits that do not require HUD approval)

In Section 8 properties where fewer than 100% of the units have Section 8 subsidy, some in-place, low-income tenants not receiving Section 8 may be eligible for assistance without HUD approval for an exception to the very low-income limit. This policy is permitted so that families will not be displaced when the circumstances are not the fault of the tenant. Owners may allocate Section 8 assistance to in-place, low-income families only under any of these conditions:

- (1) The tenant is being converted from RAP or Rent Supplement to Section 8.
- (2) The tenant is eligible to receive Section 8 in conjunction with the sale of a HUD-owned project.
- (3) The tenant is paying more than 30% of income toward rent, and is at or below the low-income limit (80% of median income).

COMMENT: Clarification needed: The EDT exception code is currently used for HUD approved exceptions for in-place tenants who would otherwise be displaced. (Appendix 7, B42, page 13) Should the same code be used for the third situation above where there is no formal HUD approval? Or is a new code needed? The CV code covers situations 1 and 2.

TRACS

TRACS edits exception codes submitted with certifications to make sure they are valid codes: however, TRACS can't determine if the code used is appropriate.

Recommendations

Legislative Policy TRACS: Define the scope and conditions for the use of exception codes submitted in tenant certifications.

ELG-003.14: n1nnnnnnn: Exceptions for Post-1981 Properties

Handbook

There are two types of exceptions: Tenant Based Exceptions apply to individual tenants and may not be reused; Project Based Exceptions may be reused subject to field office recall or expiration. (3-7.D, pp 3.10-3.11)

TRACS

TRACS accepts and stores exception counts submitted with the voucher. The counts include Tenant Based Exceptions. There is no attempt to reconcile certifications with exceptions and the Tenant Based Exceptions submitted with the voucher.

Recommendations

Legislative Policy TRACS: Exceptions are reported on vouchers and are currently monitored manually and in management reviews. It would be possible to automate the audit process if both project and tenant based exceptions were stored in a contract related table. To do so would require development effort both for data input and TRACS level edit checks.

ELG-003.15: n1nnnnnn: Reporting Income Exceptions for Section 8

Handbook

On move-in and initial certifications for Section 8, post 1981 contracts where the tenant's income status is lower, an exception code should be submitted as part of the MAT file (MAT10, Section 2, field 46—Income Exception Code).

COMMENT: There are some differences in guidance concerning the definitions and uses of these codes.

In Appendix 7, B42 we have:

HANDBOOK (Appendix 7, B42, p 13): Complete this field if the family met the conditions listed in 59 Field B40. Indicate the HUD exception for which this family is eligible. These include:

CV = The Tenant:(1) Was converted (or is now being converted) from RAP or Rent Supplement; or(2) Received (or will now) begin to receive Section 8 as a result of a sale of a HUD-owned project.

EDT = HUD approved exception for an in-place tenant who would otherwise be displaced as described in HUD Handbook 4350.3.

EIT = Do not use for new move-ins. Continue to use this code for tenants who previously received a HUD approved income exception.

EAT or AA = Do not use this code for new move-ins. Continue to use this code for tenants who previously received an exception based upon these codes.

EP = Tenant was admitted under one of the HUD-approved project-based exceptions as described in HUD Handbook 4350.3.

In Appendix 10, Item 12.B.2 (52670A Part 1) we have:

HANDBOOK (Appendix 10, Item 12.b.2, p): Other Actions. If the tenant was admitted under an exception listed in Chapter 3, paragraph 3-7, and Exhibit 3-1's very low-income requirements, enter one of the following codes. The same code shall be entered every month for as long as the tenant receives Section 8 at this project. Enter this code even if the tenant becomes very low-income.

EDT - HUD approved an exception under Situation 1 of 4350.3, Exhibit 3-1.

EP - Tenant was admitted under exceptions HUD approved for Situations 3 through 6 of 4350.3, Exhibit 3-1.

EAT - The tenant or applicant was admitted to the Section 8 program before the project received HUD's 6/29/84 memorandum AND the tenant started receiving assistance on or after 8/1/84.

ET - None of these codes apply. Tenant's admission violated the income eligibility rules of 4350.3, paragraph 3-6.

In the MAT Guide, Chapter 5, MAT10, Section 2, Field 46 we have:

MAT GUIDE (Chapter 5, p 5.14): Permitted Values: AA; CV; EP; ET; EAT; EDT; EIT; VL

TRACS

TRACS edits submitted income exception codes against the permitted values in the MAT User Guide.

Recommendations

Legislative Policy TRACS: The three lists of codes do not agree. Revise the appropriate section to harmonize the lists of exception codes. Make the necessary modifications to the MAT User Guide and TRACS.

Legislative Policy TRACS: There is currently no way in the MAT to indicate an approved income exception for other than Section 8, Post Universe contracts. Such a mechanism could be added. Alternatively the waiver mechanism suggested in ELG-002.00 could be used.

Legislative Policy TRACS: Add a waiver code of DSBL to cover a waiver for a non-disabled person to move into a property designated for the disables. DSBL will be added to the Field 87 in the MAT10, Section 2 record.

ELG-003.16: n12345789: Admitting Over-Income Applicants

Handbook

HANDBOOK (3-8, p 3.13) Admitting Over-Income Applicants

This paragraph describes the circumstances under which a property owner may admit families that do not meet income limits. The exceptions are listed by program.

(A) Section 8, Section 202/8, Section 202 PAC, and Section 202 PRAC and Section 811 PRAC Units

If the owner is temporarily unable to lease all units to income eligible families, he may admit applicants with incomes that exceed the applicable program income limits with prior written HUD approval. The owner must request HUD approval as follows:

(1) For units with Section 8 assistance, the request must be submitted to the Field Office in accordance with the procedures above in paragraph 3-7.

(2) For units with Section 202/8 or Section 202 PAC assistance, the owner must submit the information specified in Situation #6 of Exhibit 3-1 to the Field Office. (See paragraph 3-19 G.1)

(3) For Section 202 or Section 811 PRAC units, the owner must submit the information specified in Situation #6 of Exhibit 3-1 to the Field Office. The Field Office will forward the waiver request with a recommendation to HUD Headquarters for the final decision on the approval. (See paragraph 3-19 G.1)

(4) For Section 202/8, Section 202 PAC and Section 202 PRAC and Section 811 PRAC, also see paragraph 3-19 G.2 and 5 for a discussion of waiver requests for approval to rent to families that are not elderly or disabled.

COMMENT: Clarification needed: For the situations below (BMIR, 236, Rent Supplement, RAP) the tenant pays market rent on admission. What are the requirements for the subsidies covered under 3-8.A above? If the exception is to the very low income limit does the tenant receive subsidy if qualified? If the exception is granted to admit someone who is over the low income limit, what rent is paid and does it depend on exactly which subsidy is involved?

HANDBOOK (3-8.B, pp 3.13-3.14): BMIR Units

The owner must not admit income-ineligible applicants without prior written HUD approval. Any ineligible families that are admitted must pay market rent.

(C) Section 236, Rent Supplement, and RAP Units

(1) In some situations, owners may admit families with incomes that exceed the applicable program income limits to Section 236, Rent Supplement, or RAP units without HUD approval if there are no income-eligible applicants available and fewer than 10% of the units are already occupied by tenants paying market rent.

(2) Any ineligible families that are admitted must pay market rent.

(3) The owner must obtain HUD's approval to admit over-income applicants who pay market rent if at least 10% of the units authorized under the interest reduction subsidy are already occupied by tenants paying market rent.

(4) For determining the 10% of units described in subparagraphs 2 and 3 above, a unit is defined as follows:

(a) For properties with Rent Supplement or RAP, "units" include only those units covered by the RAP or Rent Supplement contract.

(b) For Section 236 properties, "units" include all units in the project.

(5) Before admitting any ineligible applicants, the owner must take the following steps:

(a) Admit all available eligible applicants, unless there is good cause for denying assistance.

(b) Take all reasonable steps to attract eligible families, including using marketing activities most likely to attract eligible applicants and marketing outside the community or immediate area.

(c) Place in the file of any ineligible tenant who is admitted, a written certification indicating that the requirements in subparagraphs a and b above have been completed.

TRACS

Market rent certifications are not currently submitted to or maintained by TRACS.

Recommendations

Legislative Policy TRACS: Because no information on market rent tenants is currently sent to TRACS, it is not possible to automate monitoring things such as the 10% limit mentioned above. Consider requiring certification information to be submitted for market tenants. At the minimum a move-in or initial certification along with unit transfers and move-outs would have to be transmitted. No recertifications would be required as long as the tenant is at market. Doing this would help to eliminate the problem where previously subsidized tenants in TRACS will remain in a property forever after they have moved to market rent and move out while at market.

Chapter 6: Eligibility (ELG)
ELG-003.16: n12345789: Admitting Over-Income Applicants

Legislative Policy TRACS: Consider requiring certifications on market rent tenants. To implement, the requirements for accepting market rent tenants must be added to the Functional Requirements Document.

ELG-003.17: n1nnnnnn: Admission of Police/Security Officers

Handbook

HANDBOOK (3-8.D, pp 3.14-3.15): Admission of Police Officers or Security Personnel in Section 8 Properties

(1) For the purpose of deterring crime in and around the property, owners may lease a Section 8 unit to a police officer or security personnel who is over the income limits. Security personnel is defined as a qualified security professional with adequate training and experience to provide security services for project residents.

(2) To be eligible, the police officer or security personnel must be employed full-time (at least 35 hours per week) by a governmental unit or private employer and be compensated by their employer for providing policing or security services.

.....

(4) The owner may use the applicable model lease with an added provision that states that the right of occupancy is dependent on continued employment as a police officer or security personnel. (See paragraph 6-12 C for more information.)

(5) HUD or the Contract Administrator should notify the owners of approval or rejection within 30 days of submission. Unless there are extenuating circumstances, the local HUD Office should approve no more than 1% (or one unit if the property is less than 100 units) of the assisted units on the property for leasing to police or security personnel.

TRACS

Certifications for police or security tenants are accepted and identified by TRACS.

TRACS expects the TTP of a police or security tenant to be equal to or greater than 50% of the gross rent.

Recommendations

Legislative Policy TRACS: 5-27.B.2 says that owners should establish a rent that is attractive to the officer, but not less than what the officer would pay as an eligible Section 8 tenant. The TRACS edit should be changed to agree with the new handbook guidance.

Rule # ELG-004.00: n12345789: Disclosure of Social Security Numbers

Handbook

HANDBOOK (3-9, p 3.16): Disclosure of Social Security Numbers
Applicants must disclose social security numbers (SSNs) in order for the owner to make an eligibility determination. This paragraph explains the requirements and responsibilities of applicants or residents to supply owners with this information, the responsibility of owners to obtain this information, and the consequences for failure by either party.

(A) Key Requirements

(1) The head of household/spouse/co-head must disclose SSNs for all family members at least six years of age and older.

(2) If no SSN has been assigned to a particular family member, the applicant must sign a certification stating that no SSN has been assigned.

HANDBOOK (3-9.C.4, p 3.16): However, an applicant may not become a participant in the program unless the applicant submits the required SSN documentation to the owner. The applicant must provide SSN documentation to the owner within 60 days from the date on which the applicant certified that the documentation was not available.

COMMENT: Clarification needed: To become a participant in the program (move-in or initial certification) if no SSN has been assigned is the requirement merely that the tenant sign a certification that no SSN has been assigned? Or must such a person obtain an SSN? The handbook language refers to the required documentation not to the required SSN and the industry is confused by the language.

TRACS

TRACS will accept a name and date of birth in lieu of a SSN. TRACS generates a unique ID to be used until a SSN can be provided.

Recommendations

Legislative Policy TRACS: Require SSNs for all household members six-years of age or older within 60-days of the Move-in or Initial Certification effective date. Will failure to provide a SSN result in a termination of assistance?

Legislative Policy TRACS: Generate a fatal error on an MI or IC if any member, age 6 or greater, has an invalid SSN; however, this recommendation does not apply to the following: Households with subsidy type 0; Relationship code F or L.

Rule # ELG-005.00: n12345789: Residence Criteria

Handbook

HANDBOOK (3-10, p 3.17): Residence Criteria

(A) Key Requirement

Assisted tenants must have only one residence and receive assistance only in that unit. This rule is meant to ensure that the government pays assistance on only one unit for a family and provides assistance to as many eligible families as possible with available funding.

COMMENT: Clarification needed: The definition in the glossary of “assisted tenant” includes anyone paying less than market rent. This includes 236 and BMIR tenants paying less than market. It would be good to include such language in this section of the handbook if that is the intent.

HANDBOOK (3-10.B, p 3.17): Sole Residence Requirement

(1) A family is eligible for assistance only if the unit will be the family’s only residence.

(2) The owner must not provide assistance to applicants who will maintain a residence in addition to the HUD-assisted unit.

COMMENT: Clarification needed: Is it permissible for a family to live in and pay market rent in two HUD properties simultaneously? See also Example 3 below under Recommendations.

COMMENT: Clarification needed: This paragraph refers to families while the paragraphs above and below refer to tenants. Is there a reason for the difference? The definition of a tenant from the Glossary is an individual or family occupying an assisted dwelling unit.

HANDBOOK (3-10.C, p 3.17): C. Prohibition Against Double Subsidies

Under no circumstances may any tenant benefit from more than one of the following subsidies: Rent Supplement, RAP, Section 202 PAC, Section 202 PRAC or Section 811 PRAC, or project-based Section 8 housing assistance, including Section 202/8.

(1) Tenants must not receive assistance for two units at the same time.

(2) Tenants must not benefit from Housing Choice Voucher assistance in a unit already assisted through project-based Section 8, Rent Supplement, RAP, Section 202 PAC or Section 202 and 811 PRAC.

(3) This prohibition does not prevent a person who is currently receiving assistance from applying for an assisted unit in another property. The assisted tenancy in the unit being vacated must end the day before the subsidy begins in the new unit.

COMMENT: Clarification needed: Handbook language already allows for joint custody, which, presumably, is an exception to this rule. Is an individual who lives in two different subsidized units as part of two different households not considered to be double-dipping? What about the case of previously married subsidized tenants who share the care of a disabled adult child or adult parent by moving said person back and forth between units/properties?

TRACS

TRACS attempts to prevent double subsidies by generating HQ move outs. A HQ move out is generated for the previous unit when a move-in or initial certification is received for a tenant receiving subsidy in another project, contract or unit. TRACS also generates a duplicate subsidy report monthly identifying tenants and units that appear to be collecting multiple subsidies.

Recommendations

Legislative Policy TRACS: Guidance is needed around the double dipping prohibition including examples. The rule is often administered in an ad hoc way with contract administrators and HUD offices caught in the middle trying to determine when subsidy stops in one apartment and starts in another. The examples below illustrate some of the issues and are consistent with current handbook language.

Example 1: Tenant moves out of property A and into property B on the same day. Property B is entitled to subsidy starting on the day after the move-in.

Example 2: Tenant gives 30 days notice and pays rent through the end of the 30-day period. At the end of the 30-day period tenant moves into property B. Property B is entitled to subsidy starting on the day after the end of the 30-day period.

Example 3: Tenant gives notice on the first of the month and pays rent through the end of the month. During the month tenant moves into property B but still has possessions in A. Tenant finishes moving out of A at the end of the month. A is entitled to subsidy through the end of the month. B may start collecting subsidy on the first of the next month. This is a common situation reflecting the fact that a tenant is often unable to move all possessions on a single day.

Example 4: Tenant gives notice but moves out early and into property B. Tenant is obligated for rent through the end of the 30-day period. Property A is entitled to subsidy through the actual move-out date—not the end of the 30-day period. Property B is entitled to subsidy starting no earlier than the day after the actual move-out.

Legislative Policy TRACS: Clarification needed: If the tenant leaves early, are they responsible for market rent from the day after the move-out through the end of the 30-day period (or until the unit is rerented) or for tenant rent through that time? The owner is not entitled to subsidy after the move-out and would lose money unless the tenant was obligated for market rent.

Example 5: Tenant skips from property A (no notice) and moves into property B. A collects subsidy up until the day the move-out is discovered. B can collect subsidy starting the day after A discovers the move-out.

Example 6: Tenant either skips or leaves before the notice period is up. Owner of A issues a move-out effective at the end of the notice period on the assumption that the tenant violated the lease and that the property is entitled to subsidy through the end of the period. This is an incorrect interpretation of the handbook. The owner is not entitled to subsidy beyond the actual move-out date—announced or unannounced.

Legislative Policy TRACS: Clarification needed. If the tenant does not disclose residency in A to B, what sanctions can be applied to the tenant? If B fails to inquire about previous tenancies or to verify same, what sanctions can be applied to the owner?

Current TRACS implementation violates handbook guidance for Example 4. When TRACS receives a move-in certification and finds the household in residence at another subsidized property, it issues a move-out for the former property effective the day before the move-in. Subsequently it will not accept a move-out record for the old property that is effective after the TRACS issued move-out. These are the cases that often come to CAs and HUD offices for resolution.

Legislative Policy TRACS: Suggestion for improvement: Implement the proposed prevalidation transaction in TRACS. This transaction would allow entry of names, dates-of-birth, and SSNs for all members of a family. TRACS would respond with information about any subsidized properties in which members are currently residing. Doing this would allow owners to do quick and accurate due diligence prior to a move-in. If other subsidized residency is discovered, the move-out and move-in process can then be coordinated with the other property.

Legislative Policy TRACS: Suggestion for improvement: Provide a way to track tenants who do not meet their rent obligations to the property they are moving out of. With subsidy a scarce resource, consider denying assistance in any subsidized property until obligations to former properties are met.

Chapter 6: Eligibility (ELG)
Rule # ELG-005.00: n12345789: Residence Criteria

Legislative Policy TRACS: Suggestion for improvement: In potential double-dipping situations, consider blocking the move-in certification rather than issuing an HQ move-out to the old property.

Rule # ELG-006.00: n12345789: Consent and Verification Forms

Handbook

HANDBOOK (3-11, p 3.18): Consent and Verification Forms

(A) Key Requirements

Adult members of a family must sign consent forms and, as necessary, verification documents, so that the owner can verify sources of family income and family size. The owner must consider a family ineligible if the adult members refuse to sign applicable consent and verification forms. See Chapter 5, Section 3, for additional detailed information on these forms.

HANDBOOK (3-11.C, pp 3.18-3.19): Provisions for Refusal to Sign

If the applicant or tenant, or any adult member of the applicant's or tenant's family, does not sign and submit the consent form as required in 24 CFR 5.230, the following statements apply:

- (1) The owner must deny assistance and admission to the applicant; or
- (2) The owner must terminate assistance to the tenant (see paragraph 8-5 regarding terminations).

COMMENT: Clarification needed: There is currently no termination code defined to cover this case. See Appendix 6, page 9, Termination Code. A code should be added for this situation.

TRACS

TRACS edits termination transactions to make sure that valid termination codes, as defined in the MAT User Guide, are submitted.

Recommendations

Legislative Policy TRACS: Add a termination code for failure to submit a signed consent form, and modify TRACS to recognize it.

Rule # ELG-007.00: n1234nnnn: Restriction on Assistance to Noncitizens

Handbook

HANDBOOK (3-12, p 3.19): Restriction on Assistance to Noncitizens

(A) Overview

By law, only U.S. citizens and eligible noncitizens may benefit from federal rental assistance. Compliance with these rules ensures that only eligible families receive subsidy. These requirements apply to families making application to the property, families on the waiting list, and tenants. This paragraph describes the procedures owners must use to determine applicant eligibility based on citizenship/immigration status.

NOTE: See Chapters 4, 7, and 8 for other citizenship and eligible immigration status requirements. (Denial of assistance is addressed in paragraph 4-31, changes in subsidy are addressed in paragraph 7-11, and termination of assistance is addressed in paragraph 8-7.)

(B) Key Requirements

(1) Assistance in subsidized housing is restricted to the following:

(a) U.S. citizens or nationals; and

(b) Noncitizens who have eligible immigration status as determined by HUD.

....

(3) All family members, regardless of age, must declare their citizenship or immigration status. (See Exhibit 3-5 for a sample declaration format.)

(4) Noncitizens (except those age 62 and older) must sign a Verification Consent Form (see Exhibit 3-6 for a sample) and submit documentation of their status or sign a declaration that they do not claim to have eligible status. Noncitizens age 62 and older must sign a declaration of eligible immigration status and provide a proof of age document. U.S. citizens must sign a declaration of citizenship. Owners may establish a policy of requiring additional proof of citizenship for those declaring to be U.S. citizens or nationals.

HANDBOOK (3-12.F, p 3.21): Applicability

The restriction on assistance to noncitizens applies to all properties covered by this handbook except the following:

1. Section 221(d)(3) BMIR properties;
2. Section 202 PAC;
3. Section 202 PRAC; and
4. Section 811 PRAC.
5. Section 202 projects with units not receiving assistance under the Rent Supplement or Section 8 programs.

COMMENT: Clarification needed: Is it true that, in BMIR properties with deeper subsidy, the noncitizen rule applies to units with the deep subsidy but not to those units covered by BMIR only? Or is it the case that Section 8 units in a BMIR property are not subject to the rule?

TRACS

TRACS edits for noncitizen conditions and calculations for Section 8, Rent Supplement, RAP and Section 236 subsidy types.

TRACS expects to find consistency between the noncitizen status reported for the household and the status reported for the individual household members.

Recommendations

N/a

ELG-007.01: n1234nnnn: Prohibition Against Delay of Assistance

Handbook

HANDBOOK (3-12.K, pp 3.23-3.25): Prohibition Against Delay of Assistance

(1) Owners may not delay the family's assistance if the family submitted its immigration information in a timely manner but the DHS verification or appeals process has not been completed.

(a) If a unit is available, the family has come to the top of the waiting list, and at least one member of the family has submitted the required documentation in a timely manner, the owner must offer the family a unit and provide prorated assistance to those family members whose documents were received on time.

(b) Owners continue to provide prorated assistance to such families until information establishing the immigration status of any remaining noncitizen family members has been received and verified.

(2) Once the owner has determined the citizenship/immigration status of a family assisted prior to completion of the verification or appeal process, the owner must do as follows:

(a) Provide full assistance to a family that has established the eligibility of all of its members;

(b) Offer continued prorated assistance to a mixed family, or temporary deferral of termination of assistance if the family does not accept the offer of prorated assistance; or

(c) Offer temporary deferral of termination of assistance to an ineligible family. At the end of the deferral period the family must either pay market rent or vacate the unit. (Mixed families are defined in subparagraph N below, and prorated assistance is described in subparagraph P. Temporary deferral of termination of assistance is addressed in subparagraph Q.)

COMMENT: Clarification needed: If, after verification, a family is found to be entitled to full assistance, should that assistance be provided retroactively to the move-in date or should it start on the first of the month following the final verification/appeal? Similarly, if the family is entitled to prorated assistance but more assistance than they are now receiving, should the change be made retroactively? Presumably, any decrease in assistance, after verification, would take place on the first of the month following the usual 30-day notice period. Is this correct? Or is this a special case and the change would be effective retroactively to the move-in date as this is the rent that would have been paid had verification been complete at move-in? There is no change in family

financial information as would be the case with an interim recertification—just a change in verification status.

In Handbook Appendix 7 the guidance for fields B75 (Household Assistance Status Code) and C10 (Member Eligibility Code) does not allow for prorated assistance on admission pending verification. Also the concept of full assistance pending verification is no longer supported in the handbook. Revised guidance and software updates for TRACS, CAs, and sites will be needed. Under the various scenarios above, how is the household status code to be used and how are the member eligibility codes to be used?

Members of the industry have questioned the applicability of offering temporary deferral of termination. They argue that this concept, from the original statute, applied only as a transitional measure to allow currently (in 1995) subsidized tenants time to find alternative housing before having subsidy taken away. See also ELG-007.02 and ELG-007.05.

TRACS

TRACS does not support prorated assistance while waiting for confirmation of the family members' immigration status. Currently, following the original interpretation of the Noncitizen Rule, TRACS provides full assistance while waiting for confirmation of noncitizen status.

Recommendations

Legislative Policy TRACS: Revisit the decision made with 4350.3 REV-1 to prorate assistance until documentation is received confirming the immigration status of noncitizen family members. This is a change in the original interpretation of the Noncitizen Rule. A risk-benefit analysis should be done before changing from the original interpretation.

ELG-007.02: n1234nnnn: Mixed Families

Handbook

HANDBOOK (3-12.N, p 3.27): N. Mixed Families

(1) A mixed family is one whose members include citizens and eligible immigrants as well as noncitizens without eligible immigration status.

(2) Mixed families that were in occupancy and received full assistance prior to the verification of citizenship/immigration status may be eligible for one of three types of assistance.

(a) Continued assistance if the family was receiving assistance prior to June 19, 1995 (see subparagraph O below);

(b) Prorated assistance (see subparagraph P below); or

(c) Temporary deferral of termination of assistance (see subparagraph Q below).

(3) Applicant families that are mixed are eligible only for prorated assistance.

COMMENT: Clarification needed: There are those who believe that the concept of temporary deferral of termination was permitted by statute only at the start of implementation of the noncitizen rule and that its period of applicability has passed. If true, temporary deferral of termination should no longer be offered and references to it deleted from the handbook. See also ELG-007.01 and ELG-007.05.

Given the differences in 3-12K and in Appendix 7 noted in ELG-007.01, if a family was given full assistance pending verification on move-in after the new handbook (Rev 1) was issued, are they entitled to temporary deferral of termination if verification shows that they should be entitled only to prorated assistance? An example might be a family who moves in to a property in 2004 prior to the date on which the handbook along with TRACS and vendor software is updated to deal with any revised guidance for Appendix 7. The wording of the mixed families rule implies that they are entitled to the deferral.

TRACS

TRACS currently supports Temporary Deferral of Termination, but it does not enforce the time restrictions.

Recommendations

Legislative Policy TRACS: If Temporary Deferral of Termination is confirmed, modify TRACS to enforce the time restrictions.

ELG-007.03: n1234nnnn: Continued Assistance

Handbook

HANDBOOK (3-12.O, pp 3.27-3.28): Continued Assistance

(1) A mixed family who was receiving assistance on June 19, 1995, is entitled to continue receiving the same level of assistance if the following apply:

(a) The family head, spouse, or co-head was a citizen or had eligible immigration status; and

(b) The family did not include any members who did not have eligible immigration status, except for the head, spouse, parents of the head of household, parents of the spouse, or children of the head or spouse.

(2) Eligibility for continued assistance must have been established prior to November 29, 1996.

(3) If, after November 29, 1996, anyone is added to a family, including a head of household, spouse, parents of the head of household or spouse, or children of the head of household or spouse, the family is not eligible for continued assistance at the full level, but may receive prorated assistance (see subparagraph P below).

TRACS

TRACS does not check certifications to see if “Continued Assistance” families have had changes in composition after November 29, 1996.

Recommendations

Legislative Policy TRACS: Add an edit in TRACS, going forward, to check for changes in family composition when a family is identified as a “Continued Assistance” family.

Legislative Policy TRACS: Add an edit to make sure that any “Continued Assistance” families have a move-in date prior to June 19, 1995.

ELG-007.04: n1234nnnn: Prorated Assistance

Note: The procedures used to calculate prorated assistance (Exhibits 3-12 through 3-14) are included in Chapter 7 of this document—Determining Income and Calculating Rent and will also be included in a technical appendix to the MAT guide.

Handbook

HANDBOOK (3-12.P, p 3.28): Prorated Assistance

If a family is eligible for prorated assistance and is not receiving continued assistance, and if the termination of the family's assistance is not temporarily deferred, the amount of assistance the family receives is adjusted based on the number of family members who are eligible compared with the total number of family members. The prorated assistance is calculated by multiplying a family's full assistance by a fraction.

NOTE: See Exhibits 3-12, 3-13, and 3-14 for more information on proration procedures regarding the restriction of assistance to noncitizens.

COMMENT: Clarification needed: Years ago there was a HUD notice giving guidance on how to do rent prorations for Plan of Action properties. Is that guidance still applicable? If so, it should be included in the Handbook.

HANDBOOK (3-12.P.1, pp 3.28-3.29): Section 8. For Section 8 assistance programs, the number of eligible people in the family divided by the total number of persons in the family determines the fraction. Then, this fraction is multiplied by the full assistance payment. The reduced assistance payment results in a revised tenant rent for the family.

(2) Rent Supplement. The Rent Supplement paid on the family's behalf is the amount they would otherwise be entitled to, multiplied by the fraction for which the numerator is the number of eligible people in the family and the denominator is the total number of people in the family.

(3) Section 236. For Section 236 properties, the fraction is the number of ineligible persons over the total number in the family. The proration increases the rent the family is otherwise paying by an amount equal to the difference between the market rent and the rent the family would otherwise pay, multiplied by the fraction.

(4) Section 236 with RAP, Rent Supplement, or Section 8 LMSA. If a property receives a combination of Section 236 with RAP, Rent Supplement, or Section 8 LMSA assistance, the owner must prorate both the Section 236 portion of the assistance and the RAP, Rent Supplement, or Section 8 assistance payment. The owner determines the new prorated

rent by calculating the difference between market rent and basic rent multiplied by the fraction of ineligible family members. To determine the family's rent increase, the owner adds this total to the assistance payment multiplied by the same fraction of ineligible family.

COMMENT: Clarification needed: A description of how the Section 8 calculations work when the minimum rent rule applies should be added. Specifically, is the value of TTP used the one calculated prior to applying the minimum rent rule or after?

TRACS

TRACS uses the following algorithms to prorate assistance for both certifications and rent changes:

Section 236:

Divide the ineligible member count by the total member count.

Subtract the calculated tenant rent from the market rent.

Multiply (a * b).

Add c. to the calculated tenant rent to arrive at the prorated tenant rent.

Section 8, Rent Supplement and RAP (without Section 236)

Divide the eligible member count by the total member count.

Multiply the calculated assistance payment by the result from a., above to arrive at the prorated assistance..

Subtract the prorated assistance from the gross rent to get the prorated total tenant payment (TTP).

If the utility allowance is greater than the prorated TTP, the household is due a utility reimbursement. The prorated tenant rent will be zero.

If the utility allowance is not greater than the prorated TTP, TRACS sets the prorated tenant rent (TR) to the prorated TTP minus the utility allowance. The utility reimbursement is zero.

Section 8, Rent Supplement and RAP (with Section 236)

Divide the ineligible member count by the total member count to obtain the ineligible fraction.

Calculate the rent difference by subtracting contract rent from market rent.

Calculate the prorated difference by multiplying the rent difference by the ineligible fraction.

Calculate the assistance adjustment by multiplying the assistance amount by the ineligible fraction.

Set the prorated TTP to the prorated difference + assistance adjustment + calculated TTP.

Set the prorated AP to Gross Rent – prorated TTP.

If the utility allowance is greater than the prorated TTP, the household is due a utility reimbursement. The prorated TR will be zero.

If the utility allowance is not greater than the prorated TTP, TRACS sets the prorated tenant rent to the prorated TTP – utility allowance. The utility reimbursement is zero.

Recommendations

N/a

ELG-007.05: n1234nnnn: Temporary Deferral of Termination

Handbook

HANDBOOK (3-12.Q, pp 3.30-3.32): Temporary Deferral of Termination of Assistance

(1) Currently assisted families that have no eligible members and those that qualify only for prorated assistance and choose not to accept the partial assistance are eligible for temporary deferral of termination of assistance. The deferral allows the family time to find other suitable housing before HUD terminates assistance. During the deferral period, the family continues to receive its current level of assistance.

(2) The initial deferral period is for six months and may be extended for an additional six-month period, not to exceed 18 months.

(a) At the beginning of each deferral period, the owner must inform the family of its ineligibility for financial assistance and offer the family information concerning, and referrals to assist in finding, other affordable housing.

...

(3) If eligible for prorated assistance, the family may request and begin to receive prorated assistance at the end of the deferral period.

COMMENT: Clarification needed: Members of the industry have questioned the applicability of offering temporary deferral of termination. They argue that this concept, from the original statute, applied only as a transitional measure to allow currently (in 1995) subsidized tenants time to find alternative housing before having subsidy taken away. See ELG-007.01 and ELG-007.02 above.

TRACS

TRACS does not enforce the deferral period(s).

Recommendations

Legislative Policy TRACS: Modify TRACS to enforce the deferral period limitations.

ELG-007.06: n1234nnnn: Prohibiting Assistance to Alien Students

Handbook

HANDBOOK (3-12.R, p 3.22): Prohibition of Assistance to Noncitizen *Students

Noncitizen students and their noncitizen families may not receive assistance. Noncitizen students are not eligible for continuation of assistance, prorated assistance, or temporary deferral of termination of assistance.

(1) A noncitizen student is defined as an individual who is as follows:

- (a) A resident of another country to which the individual intends to return;
- (b) A bona fide student pursuing a course of study in the United States; and
- (c) A person admitted to the United States solely for the purpose of pursuing a course of study as indicated on an F-1 or M-1 student visa.

(2) This prohibition applies to the noncitizen student's noncitizen spouse and children. However, spouses and children who are citizens may receive assistance. For example, a family that includes a noncitizen student married to a U.S. citizen is a mixed family.

COMMENT: Clarification needed: Does this rule apply only to the case where the noncitizen student is the head of the household? What would happen if a household, all of whose members have eligible noncitizen status, had an adult child come to live with them on an F-1 or M-1 visa? Would the household cease to be eligible? Or would they start to receive prorated assistance while the student is in residence?

TRACS

TRACS does not have an edit that detects full-time students who are noncitizens.

Recommendations

Legislative Policy TRACS: Consider having TRACS check for a violation of this rule.

Rule # ELG-008.00: n12345789: Eligibility of the Remaining Family Member

Handbook

HANDBOOK (3-15, pp 3.34-3.35): Determining the Eligibility of a Remaining Member of a Tenant Family

(A) Periodically, family composition changes after initial occupancy. If the qualifying person leaves the unit, a determination must be made as to whether the remaining member of the household will be eligible to receive assistance. Eligibility depends upon the type of project occupied and other issues.

(B) The following basic requirements for eligibility must be met for a person to qualify as a remaining member of a household:

(1) The individual must be a party to the lease when the family member leaves the unit.

(2) The individual must be of legal contract age under state law.

(3) The remaining family member is defined in Section 202 and Section 811 as the surviving member or members of an elderly family or family with disabilities that was a party to the lease and living in the assisted unit with the now deceased member of the family at the time of his or her death.

(a) The remaining family member, based on the death of the family member, is eligible to remain in the unit but must pay rent based on income. In this case, eligibility of the remaining family member, as defined by the death of the family member, is not reviewed.

(b) If the individual who establishes eligibility for the project leaves the unit for any reason other than death in a Section 202/8, Section 202 PAC, Section 202 PRAC or Section 811 PRAC project, the owner must determine if the individual(s) still residing in the unit meet the eligibility requirements for the project, income and age or disability. If the individual is not eligible for the project, he/she may not receive rental assistance and depending upon the type of project, he or she may or may not be allowed to remain in the unit. In a 202/8 or a Section 202 PAC project, the individual may remain in the unit but must pay contract rent. In a Section 202 or 811 PRAC project, the individual may not remain in the unit.

(4) See Figures 3-5 and 3-6 for definitions used in determining project eligibility.

COMMENT: Clarification needed: In situation 3.b above, when eligibility needs to be determined, is this done informally (i.e. without a formal recertification) or should it be done formally—terminate the household on the effective date of the change and then do an initial certification to establish eligibility? The informal method would require an interim certification effective on the first of the month following the rules for changes in tenant rent or a termination depending on the facts of the case. If a termination is done, would it be effective on the date of the change?

TRACS

TRACS uses the Survivor Indicator (MAT10, Section 2, Field 87) to permit an otherwise ineligible tenant to occupy a unit. TRACS does not restrict the use of the MAT Survivor Indicator to specific subsidy types.

Recommendations

Legislative Policy TRACS: To help identify these situations, a field should be added to a Section 8 certification indicating whether there is underlying 202. This would allow for more automated auditing. It would be possible to tell, for example, if a household should be terminated as opposed to recertified.

Legislative Policy TRACS: Define for TRACS specifically which subsidy types are eligible to use the Survivor Indicator.

Rule # ELG-009.00: n12345nnn: Admission to Elderly Projects

Handbook

HANDBOOK (3-17, p 3.43): Eligibility Requirements for Admission to Elderly Projects, By Program Type Covered by Title VI, Subtitle D of the Housing and Community Development Act of 1992

HANDBOOK (3-18, p 3.51): Eligibility Requirements for Admission to Elderly Projects, By Program Type Not Covered by Title VI, Subtitle D of the Housing and Community Development Act of 1992

TRACS

TRACS does not recognize if a certification is, or is not, affected by Title VI.

NOTE: Near-elderly is not a status recognized by TRACS,

Recommendations

Legislative Policy TRACS: Automating eligibility checking for the program types and owner elected preferences cited in the above two handbook paragraphs would require a level of analysis and change to existing software and databases that is probably not cost effective. Continued reliance on management and occupancy reviews to verify compliance with these rules is recommended.

Rule # ELG-010.00: n1nnnn789: Eligibility for 202 & 811 Projects

Handbook

HANDBOOK (3-19, pp 3.53-3.55): Eligibility for Admission to Individual Section 202, Section 202/8, Section 202 PAC, and Section 202 and Section 811 PRAC Projects

(A) Section 202 (SH) projects serve the elderly as defined in Definition B in Figure 3-6.

(B) Section 202/8 projects for the elderly serve:

(1) Elderly families as defined in Definition B in Figure 3-6; and

(2) For 10% of the units which are accessible, persons (elderly or nonelderly) who require the accessible features of the unit.

NOTE: When assigning accessible units, owners must treat equally elderly and nonelderly applicants with disabilities who require the accessible features of the unit, unless one applicant has an owner-adopted restriction or preference. See paragraphs 3-17 B and 4-6 C.

(C) Section 202/8 and Section 202 PAC projects for persons with disabilities serve one or more of the following statutorily recognized categories of disability based upon the population to be served as described in the application for funding and defined in Definition H in Figure 3-6.

(1) Persons with physical disabilities;

(2) Persons with development disabilities; and/or

(3) Persons with chronic mental illness

(D) Section 202 PRAC projects serve a household composed of one or more persons at least one of whom is 62 years of age or more at the time of initial occupancy. See definition C in Figure 3-6.

(E) Section 811 projects serve one or any combination of the following statutorily recognized categories of disability based upon the population to be served as described in the application for funding and defined in definition H in Figure 3-6.

(1) Persons with physical disabilities;

(2) Persons with developmental disabilities; or

(3) Persons with chronic mental illness.

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In addition, sponsors of Section 811 projects may propose in their applications to restrict occupancy to a subcategory of one of the statutorily recognized categories of disability (e.g., AIDS is a subcategory of physical disability), provided they do not deny occupancy to any otherwise qualified person with a disability in the overall category that the subcategory falls under.

(F) Applicants with disabilities who meet the eligibility requirements for admission to a Section 202/8 project for the elderly or for persons with disabilities or a Section 811 project for persons with disabilities cannot be excluded on the basis of having another disability in addition to the one served by the particular project.

(G) Leasing Units to Non-Eligible Families

(1) If the owner is temporarily unable to lease all units to eligible families, he may request HUD approval to lease one or more units to families that do not meet the income eligibility requirements of 24 CFR Part 5 as follows:

(a) Section 202/8 or Section 202 PAC

(1) A written request for a waiver must be submitted to the HUD Field Office in accordance with Exhibit 3-1.

(2) The request must provide documentation of the owner's continuing marketing efforts to attract eligible applicants and that an increased level of occupancy will prevent financial default and foreclosure.

(3) HUD's approval of a request must be for a limited time – initially one year. HUD may impose other terms and conditions to the approval that are consistent with program objectives and necessary to protect the loan.

(4) HUD may reduce the number of units covered by either a HAP or PAC contract if the owner does not comply with the requirements for leasing to families that do not meet the eligibility requirements; or, if HUD determines that the owner's inability to lease to families that do not meet the eligibility requirements is not a temporary problem.

(b) Section 202 PRAC or Section 811 PRAC

The owner's written request providing the information specified in Situation 6 of Exhibit 3-1 must be submitted to HUD Headquarters with the recommendation of the HUD Field Office.

(2) If permitting over-income families to lease one or more units is not sufficient to solve the vacancy problem, in order to protect the financial viability of the project, an owner may request approval to serve a population other than the one(s) it was approved to serve.

(a) A request to waive the age requirement for a Section 202 project for

the elderly must provide documentation of the owner's continuing marketing efforts to attract eligible applicants and that an increased level of occupancy will prevent financial default and foreclosure. The request with the recommendation of the HUD Field Office is sent to the Multifamily Hub for approval except that in the case of a Section 202 PRAC project, the request and recommendation must be sent by the Multifamily Hub to Headquarters for approval.

(H) For projects serving persons with disabilities, the owner must apply to the HUD Field Office for permission to serve a different disabled population. The owner must demonstrate a plan to the HUD Field Office that shows the following:

- (1) The owner can adequately serve the proposed disabled population based on past experience in serving the proposed population;
- (2) Funds are available from the state or local government or from other outside sources to pay for any necessary supportive services and a written commitment for funding is provided by the source or the owner;
- (3) The need for the original occupancy category no longer exists;
- (4) The current tenants can choose to remain in the project or move. If the tenants remain, the owner can begin housing persons in the newly approved category only as vacancies occur; and
- (5) There are sufficient subsidized units available in the area to house current project tenants who are willing to move, as well as prospective applicants in the newly approved category.

The request and recommendation of the HUD field office is sent to the HUD Multifamily HUB Director for approval.

TRACS

TRACS Tenant does not currently recognize 202/8 as other than a Section 8.

TRACS expects at least one member of a 202PRAC to be 62-years of age or older (or a survivor).

TRACS expects a 202 PRAC unit to be no larger than one bedroom.

TRACS expects an 811 PRAC family to have at least one member who is at least 18-years of age and handicapped.

Recommendations

Legislative Policy TRACS: Clarification needed: Definition B (Figure 3-6) defines elderly as:

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- (1) Families of two or more persons, the head of which (or his or her spouse) is 62 years of age or older;
- (2) The surviving member or members of a family described in paragraph (1) living in a unit assisted under subpart E of this part (Section 202 loans) with the now deceased member of the family at the time of his or her death;
- (3) A single person who is 62 years of age or older; or
- (4) Two or more elderly persons living together or one or more such persons living with another person who is determined by HUD, based upon a licensed physician's certificate provided by the family, to be essential to their care or well-being.

#1 refers to the head or spouse. #4 implies that any member who is elderly could qualify the household. If true this would mean that a person with a relationship code of Other who is elderly could qualify the household. Is this true?

Definition C states: An elderly person is a household composed of one or more persons at least one of whom is 62 years of age or more at the time of initial occupancy.

Are Definitions B and C equivalent (excluding #2 in Definition B)? They appear to be.

Legislative Policy TRACS: Suggestion for improvement: In order to automate eligibility checking for Section 202/8 projects, two new fields would need to be added to the MAT—one indicating Section 202 status (for 202/8 contracts), and a field indicating whether the property serves the elderly or persons with disabilities. This level of automation would not involve itself with the various definitions of disability or the restriction to a subset of persons with disability.

Rule # ELG-011.00: n12345789: Applicants with Housing Choice Vouchers

Handbook

HANDBOOK (3-20, pp 3.55-3.57): Applicants with Housing Choice Vouchers

Owners may receive inquiries or applications from families wishing to use a Housing Choice Voucher in their property. The Housing Choice Voucher program is a form of rental subsidy administered by public housing agencies (PHAs) that allows families to rent units in the marketplace and receive a subsidy from the PHA. The rules governing the use of vouchers in multifamily projects vary depending upon the type of subsidy operating at the project.

(A) 100% of Units Receive Assistance under an Assistance Contract

Owners may not admit an applicant with a voucher, unless the applicant agrees to give up the voucher prior to occupancy. Before admitting such applicants, owners must inform voucher holders of the following:

- (1) The family must be placed on the project waiting list and must give up the voucher when the family moves into the project.
- (2) If the family later moves out of the project, the project subsidy will not move with the family as it does with a voucher; and
- (3) The family will need to reapply to the PHA to receive another voucher.

(B) Partially Assisted Properties

(1) Owners may accept applicants with the housing choice vouchers into units that do not already have a form of rental assistance such as Section 8, RAP, Rent Supplement, Section 202 PAC, or Section 202 and Section 811 PRAC. Owners may not admit an applicant with a voucher to a unit with Section 8, RAP, or Rent Supplement, Section 202 PAC, or Section 202 and Section 811 PRAC unless the applicant agrees to give up the voucher prior to occupancy.

(2) The PHA and HUD may limit rents that may be charged and subsidies the owners may collect in units where a voucher family is housed. Since these limits vary by locality, owners should discuss rent and subsidy limitations with the local PHA. If the owner accepts a voucher holder, the PHA will perform annual inspections to ensure that the unit meets housing quality standards, recertify the family annually, and make the assistance payments to the owner.

(C) Section 236, Section 221(d)(3) BMIR, and Section 202 Units (without Assistance Contracts)

Owners may accept applicants with the housing choice vouchers into their units. As described in subparagraph B.2 above, the PHA and HUD may

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limit rents and subsidies. Also, the PHA will conduct annual unit inspections and recertify family income annually prior to making assistance payments.

(D) Previously HUD-Owned Projects

(1) Previously HUD-owned projects must give a preference to families holding vouchers. (This preference is required by the sales contract and deed executed between HUD and the owner.)

(2) The PHA and HUD may limit rents that may be charged and subsidies the owners may collect in units where a voucher family is housed. Because these limits vary by locality, owners should discuss rent and subsidy limitations with the local PHA. If the owner accepts a voucher holder, PHA will perform annual inspections to ensure that the unit meets housing quality standards, recertify the family annually, and make the assistance payments to the owner.

COMMENT: Clarification needed: What is the meaning of “The PHA and HUD may limit rents that may be charged and subsidies the owners may collect in units where a voucher family is housed” in the sections above? Does this mean that, in these situations, the rents that can be charged and subsidy received will differ from those normally associated with the subsidy type? If so, there is currently no way, as part of the MAT to indicate these situations and what the alternate rent schedules might be. Similarly, there is no way in the MAT to indicate that a property is previously HUD-Owned.

Is there such a thing as a partially assisted 202 or 811 Capital Advance Project? How about a 202/162 Direct Loan Project?

TRACS

TRACS does not recognize or track tenants with Housing Choice Vouchers.

Recommendations

N/a

Rule # ELG-012.00: n12345789: Occupancy Standards

Handbook

HANDBOOK (3-22, pp 3.58-3.61): Occupancy Standards

(A) Overview

(1) Owners must develop and follow occupancy standards that take into account the size and number of bedrooms needed based on the number of people in the family.

(2) Occupancy standards serve to prevent the over- or underutilization of units that can result in an inefficient use of housing assistance. Occupancy standards also ensure that tenants are treated fairly and consistently and receive adequate housing space. By following the standards described in this paragraph, owners can ensure that applicants and tenants are housed in appropriately sized units in a fair and consistent manner as prescribed by law. Occupancy standards must be part of an owner's tenant selection procedures. Refer to paragraph 4-4 for more details on developing tenant selection procedures.

(B) Key Requirements

(1) Owners of all properties subject to this handbook, including subsidized housing cooperatives, must assign a family to a unit of appropriate size, taking into consideration all persons residing in the household.

(2) Owners should have written standards describing the project eligibility criteria. Owners have some discretion in developing specific occupancy standards for a property, as long as the standards do not violate fair housing requirements or contain prohibited policies. See Exhibit 3-3 for HUD policy guidance.

(3) The owner's occupancy standards must comply with the following:

(a) Federal, State, and local fair housing and civil rights laws;

(b) Tenant-landlord laws;

(c) Zoning restrictions; and

(d) HUD's Equal Opportunity and nondiscrimination requirements under HUD's administrative procedures.

(C) Timeframe for Applying Occupancy Standards

(1) Owners apply their occupancy standards before assigning the family to a unit. Owners should review family size and occupancy standards prior to completing all of the required verifications so that if the property cannot accommodate the family, the owner may immediately inform the

family of its ineligibility.

(2) Owners also compare family composition to occupancy standards when there is a change in family size. This comparison is done to determine whether the family needs to transfer to another unit.

(D) Prohibition of Occupancy Standards that Exclude Children

(1) The Fair Housing Act prohibits housing providers from discriminating on the basis of familial status, making it illegal to discriminate against families because of the presence of children.

(2) Owners may neither exclude families with children from their properties, nor may they develop policies or procedures that have the purpose or effect of prohibiting children (e.g., policies in tenant selection plan, occupancy standards, house rules).

(3) Owners may not exclude otherwise eligible elderly families with children from elderly properties or elderly/disabled properties covered by this handbook.

(E) General Occupancy Standards

(1) Owners have discretion in developing occupancy policies that meet the needs of the specific property. HUD does not prescribe specific policies owners must implement but provides guidelines owners must follow when developing written occupancy standards.

(2) HUD's occupancy guidelines are provided in Exhibit 3-3. Generally a two-persons-per-bedroom standard is acceptable. An owner may establish a different standard for assigning unit size based on specific characteristics of the property (e.g., some bedrooms are too small for two persons).

(3) An owner's occupancy standards establish the size of the unit a family will occupy, but owners must avoid making social judgments on a family's sleeping arrangement. For example, it is not for the owner to determine whether an unmarried couple may share the same bedroom or whether a young child can share a bedroom with a parent.

(4) Owners may consider the size of the unit, the size of the bedrooms, and the number of bedrooms so long as their policy allows for family preferences (within HUD guidelines) to be considered. As owners develop and implement occupancy standards, they must take into consideration the following factors:

(a) The number of persons in the family;

(b) The sex and relationship of family members;

(c) The family's need for a larger unit as a reasonable accommodation;

and

(d) Balancing the need to avoid overcrowding with the need to avoid underutilization of the space and unnecessary subsidy.

(5) If a family, based on the number of members, would qualify for more than one unit size, the owner must allow the family to choose which unit size they prefer.

(6) Counting family members. In order to determine the size of unit that would be appropriate for a particular family, the owner needs to determine the number of family members.

(a) The owner must count all full-time members of the family.

(b) The owner must also count all anticipated children. Anticipated children include the following:

(1) Children expected to be born to a pregnant woman;

(2) Children in the process of being adopted by an adult family member;

(3) Children whose custody is being obtained by an adult family member;

(4) Foster children who will reside in the unit;

(5) Children who are temporarily in a foster home who will return to the family; and

(6) Children in joint custody arrangements who are present in the household 50% or more of the time.

(c) The owner may count children who are away at school and who live at home during recesses.

(d) The owner must count live-in aides for purposes of determining appropriate unit size.

(e) The owner may establish reasonable standards for counting family members that are temporarily in a correctional facility. For example, it is reasonable for an owner to count a teenager who will return to the family in six months from a detention center. It is not reasonable to count an adult member who may return to the family in two years following incarceration.

(f) The owner must not count nonfamily members, such as adult children on active military duty, permanently institutionalized family members, or visitors.

(g) The owner must count foster adults living in the unit.

TRACS

TRACS applies the guidelines in the 4350.3 CHG-27 to evaluate whether the family is overhoused or underhoused. An information message is returned if the guideline parameters are violated.

The determination is based upon an algorithm that compares the number of bedrooms in the unit to the household composition, considering each member's relationship code and gender.

Recommendations

Legislative Policy TRACS: Not all categories of anticipated children are supported by the MAT future fields. Joint custody situations need to be dealt with for a variety of reasons. There is no support for the category of children whose custody is being obtained—should there be?

Legislative Policy TRACS: TRACS needs to be modified to collect the additional tenant data and apply the guidelines in 4350.3 REV-1.

ELG-012.01: n12345789: Assigning a Smaller Unit Than Required

Handbook

HANDBOOK (3-22.F, p 3.61): Assigning a Smaller Unit Than Required
An owner may assign a family to a smaller unit size than suggested by the owners' occupancy policies if the family requests the smaller unit and if all of the following apply:

- (1) The family is eligible for the smaller unit based upon the number of family members, and occupancy of the smaller unit will not cause serious overcrowding;
- (2) Assigning a smaller unit results in a lower rent payment for the occupant in a Section 236 or BMIR property; and
- (3) The assignment will not conflict with local codes.

COMMENT: Clarification needed: The fact that the wording above says "if all of the following apply" implies that you can't assign a smaller unit than required unless the property is a Section 236 or BMIR. Presumably that is not the case and the 236 and BMIR cases are only an additional situation when assigning a smaller unit is permitted.

TRACS

TRACS will generate an informational overhoused/underhoused message based upon the 4350.3 guidelines.

Recommendations

Legislative Policy TRACS: If there is an interest in tracking these cases, a field could be added to the mat indicating that one or more of these situations applies.

ELG-012.02: n12345789: Assigning Units Larger Than Required

Handbook

HANDBOOK (3-22.G, p 3.61-3.62): Assigning Units Larger Than Required

(1) An owner may assign a family to a larger unit than suggested by the owner's occupancy standards if one of the following conditions exists:

(a) No eligible family in need of the larger unit is available to move into the unit within 60 days, the property has the proper size unit for the family but it is not currently available, and the family agrees in writing to move at its own expense when a proper size unit becomes available.

(b) A family needs a larger unit as a reasonable accommodation for a family member who is a person with a disability.

(2) However, a single person must not be permitted to occupy a unit with two or more bedrooms, except for the following persons:

(a) A person with a disability who needs the larger unit as a reasonable accommodation.

(b) A displaced person when no appropriately sized unit is available.

(c) An elderly person who has a verifiable need for a larger unit.

(d) A remaining family member of a resident family when no appropriately sized unit is available.

TRACS

TRACS will generate an informational overhoused/underhoused message based upon the 4350.3 guidelines.

Recommendations

Legislative Policy TRACS: If there is an interest in doing so, these cases could be tracked.

ELG-012.03: n12345789: Change in Family Size

Handbook

HANDBOOK (3-22.H, pp 3.62-3.63): H.A. Change in Family Size After Initial Occupancy

(1) After a family moves into a unit, the unit may become overcrowded or underutilized due to a change in family size.

(a) Rental properties.

(1) The owner may require the family to move to a unit of appropriate size. If a unit of appropriate size is not available, the owner must not evict the family and must not increase the family's rent to the market rent. See the example below.

(2) If a family refuses to move to the correct size unit, the family may stay in the current unit and pay the market rent. The owner must not evict the tenant for refusing to move but may evict the family if it fails to pay the market rent in accordance with the lease.

(b) Subsidized housing cooperatives.

(1) Units occupied by families who are not receiving rental assistance under a contract for assistance. In Section 236 and BMIR cooperatives in which the member is receiving no other assistance, the cooperative may establish its own policy on whether the cooperative should:

- Offer over-housed members smaller units; and
- Require members who refuse such offers to pay the market rate carrying charge.

(2) Units occupied by families receiving assistance through an assistance contract. These will typically be families receiving Rent Supplement, RAP, or Section 8 assistance. When an appropriately sized unit becomes available, the cooperative must require an over-housed member to either:

- Transfer to the appropriately sized unit offered by the cooperative and continue to receive assistance; or
- Remain in the same unit and pay a higher carrying charge.
- The choice remains with the member. If an appropriately sized unit is available, a cooperative may permit an over-housed member to remain in the same unit and continue to receive Section 8/Rent Supplement/RAP assistance only as long as there is no market for the size of unit the member would be vacating.

(3) If a family refuses to move to the correct size unit, the family may stay in the current unit and pay the market rate carrying charge. The owner

must not evict the tenant for refusing to move but may evict the family if it fails to pay the market rate carrying charge in accordance with the lease.

(2) See Chapter 7, Section 3, for additional information about unit transfers for tenants.

TRACS

TRACS evaluates each certification based upon 4350.3 guidelines. A message is generated whenever a certification violates the guidelines.

Recommendations

N/a

Chapter 7. Income & Calculating Rent (RNT)

Scope of Analysis

This section covers Chapter 5 (Determining Income and Calculating Rent) and includes Exhibits 3-12 through 3-14 (Proration of assistance under the noncitizen rule). More detailed algorithms for calculating rent will also be included in a technical appendix to the MAT guide as part of an Industry Specification so that software vendors and TRACS can avoid \$1 differences in calculations due to calculation methodology.

Rule # RNT-001.00: n12345789: Determining Annual Income

Handbook

HANDBOOK (5-4, p 5.3): Key Requirements

(A) Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:

(1) All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or

(2) All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.

(B) Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 5-1, Income Inclusions and Exclusions, provides the complete list of income inclusions and exclusions published in the regulations and Federal Register notices.

(C) Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

TRACS

TRACS calculates the household's annual income by adding its non-asset income to its asset income. The TRACS-calculated annual income is set in the database in place of the submitted annual income amount.

TRACS detects any discrepancies between user-reported income totals and TRACS-calculated income totals.

TRACS expects the calculated annual income not to exceed the BMIR low income limit at move-in.

Note: TRACS currently assumes that all incomes submitted as part of the MAT are not excluded by regulation. There is no way to tell, with the current income coding scheme, which incomes are to be included and which are to be excluded.

Recommendations

Legislative Policy TRACS: If there is the desire to do a more detailed audit on income reporting, TRACS could be modified to accept all income from all sources and expand the coding to identify included and excluded income. However, doing so would add a work burden to site managers.

RNT-001.01: n12345789: Calculating Annual Income

Handbook

HANDBOOK (5.5., p 5.4): Once all sources of income are known and verified, owners must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:

- (1) Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
- (2) Weekly wages by 52;
- (3) Bi-weekly wages (paid every other week) by 26;
- (4) Semi-monthly wages (paid twice each month) by 24; and
- (5) Monthly wages by 12.

To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

COMMENT: Clarification needed: Appendix 8, 2.8, which discusses rounding and 50059 data entry rules, gives a different method for annualizing hourly income: multiply the hourly wage by the number of hours worked per week; round the result to the nearest penny; multiply the result by the number of weeks worked; round the result to the nearest dollar. Which method of annualizing annual income is to be used? Or is it permissible to use different methods as long as the same method is used for all applicants and tenants?

TRACS

TRACS creates a separate income entry in the Tenant database for each income record reported with a certification and associates each one with the certification and the specific household member reporting the income.

Recommendations

N/a

RNT-001.02: n12345789: Whose Income is Counted?

Handbook

HANDBOOK (5-6.A, p 5.6): Calculating Income—Elements of Annual Income

(A) Income of Adults and Dependents

(1) Figure 5-2 summarizes whose income is counted.

(2) Adults. Count the annual income of the head, spouse or co-head, and other adult members of the family. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

NOTE: If an emancipated minor is residing with a family as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

(3) Dependents. A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student. The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.

(a) Earned income of minors (family members under 18) is not counted.

(b) Benefits or other unearned income of minors is counted.

Figure 5-2: [from Handbook] Whose Income is Counted?

Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	(See Note)	

Nonmembers		
Foster child	No	No
Foster adult	No	No
Live-in aide	No	No

NOTE: The earned income of a full-time student 18 years old or older who is not the head, co-head, or spouse is excluded to the extent that it exceeds \$480.

COMMENT: Clarification needed: In Figure 5-2, the case of a Dependent-Disabled and over 18 years of age is missing. Both employment and other income should be coded as Yes.

HANDBOOK (5-6.A.3.c, pp 5.7-5.9): When more than one family shares custody of a child and both families live in assisted housing, only one family at a time can claim the dependent deduction. The family that counts the dependent deduction also counts the unearned income of the child. The other family claims neither the dependent deduction nor the unearned income of the child.

(d) Although full-time students who are 18 years of age or older are considered as dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the family or spouse or co-head. If the income is less than \$480 annually, count all the income. If the annual income exceeds \$480, count \$480 and exclude the amount that exceeds \$480.

(e) The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.

(f) All income of a full-time student, 18 years of age or older, is counted if that person is the head of the family, spouse, or co-head.

(g) Payments received by the family for the care of foster children or foster adults are not counted. This rule applies only to payments made through the official foster care relationships with local welfare agencies.

(h) Adoption assistance payments in excess of \$480 are not counted.

(B) Income of Temporarily Absent Family Members

(1) Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent.

(2) If the owner determines that an absent person is no longer a family member, the individual must be removed from the lease and the 50059 facsimile.

(3) A temporarily absent individual on active military duty must be removed from the family, and his or her income must not be counted unless that person is the head of the family, spouse, or co head.

(a) However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the family.

(b) The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

(C) Income of Permanently Confined Family Members

(1) An individual permanently confined to a nursing home or hospital may not be named as family head, spouse, or co-head but may continue as a family member at the family's discretion. The family has a choice with regard to how the permanently confined individual's income will be counted. The family may elect either of the following:

(a) Include the individual's income and receive allowable deductions related to the medical care of the permanently confined individual; or

(b) Exclude the individual's income and not receive allowances based on the medical care of the permanently confined individual.

(2) The permanently confined member is listed on the 50059 facsimile as an adult who is not the head, spouse, or co-head, even when the permanently confined family member is married to the person who is or will become the head of the family.

TRACS

TRACS does not expect Foster Children or Live-ins to report income and excludes any of their reported income amounts.

TRACS expects that a member, reporting an employment income, be at least 18 years of age. If the member is under 18 with a reported income, TRACS excludes it.

TRACS expects that the reported member income for a Dependent and full-time Student in a stored certification be no more than \$480. However, if the member's income is

greater than \$480, then TRACS sets the income amount to \$480 in the database and adds the \$480 or less to the household's net total employment income.

TRACS calculates the household's total non-asset income by adding each member's reported employment and non-employment income. The household's total non-asset income is the family's total income, excluding asset income.

Note: In the case of an adult dependent who is a full-time student, more than \$480 in earned income may be reported. TRACS ignores any amount over \$480.

Recommendations

Legislative Policy TRACS: TRACS has no way of knowing, with the current MAT fields, whether a family member is temporarily absent, on active military duty, or permanently confined and therefore can not enforce any of the rules with respect to income and allowances for these people. If desired, this could be done through a modification to the MAT.

Legislative Policy TRACS: TRACS has no way of distinguishing adoption assistance payments and therefore can not cap them. If desired, this could be done through a modification to the MAT.

Rule # RNT-002.00: n12345789: Calculating income from Assets

Handbook

HANDBOOK (5-7, pp 5.19-5.20): Calculating Income from Assets
Annual income includes amounts derived from assets to which family members has access.

(A) What is Considered to Be an Asset?

(1) Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the income from that asset.

(2) Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset: it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.

(3) Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 5-2 summarizes the items that are considered assets and those that are not.

(B) Determining Income from Assets

Note: For families receiving only BMIR assistance, it is not necessary to determine whether family assets exceed \$5,000. The rule for imputing income from assets does not apply to the BMIR program.

(1) The calculation to determine the amount of income from assets to include in annual income considers both of the following:

(a) The total cash value of the family's assets; and

(b) The amount of income those assets are earning or could earn.

(2) The rule for calculating income from assets differs depending on whether the total cash value of family assets is \$5,000 or less, or is more than \$5,000.

(C) Determining the Total Cash Value of Family Assets

(1) To comply with the rule for determining the amount of income from assets, it is necessary to first determine whether the total "cash value" of family assets exceeds \$5,000.

(a) The "cash value" of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as the following:

- (1) Penalties for premature withdrawal;
- (2) Broker and legal fees; and
- (3) Settlement costs for real estate transactions.

The cash value is the amount the family could actually receive in cash, if the family converted an asset to cash.

(b) It is essential to note that a family is not required to convert an asset to cash. Determining the cash value of the asset is done simply as a calculation by the owner because it is a required step when determining income from assets under program requirements.

TRACS

TRACS collects reported asset amounts in the certification: Total Assets (cash), Total Income from Assets, and Imputed Income from Assets, as well as the Reported Passbook Rate Percent, which is used by TRACS to calculate the Imputed Asset Income.

TRACS creates a separate asset entry in the database for each asset record detail reported by the certification's transaction and associates each one with the household certification but not with any identified household member.

TRACS expects, for each household asset record submitted, a reported cash-asset amount if the reported yearly income-from-asset amount is greater than zero.

TRACS adds up all the reported cash-asset amounts for a net total cash-asset amount and all the reported yearly income-from-assets amounts for its net total amount, and expects the reported and TRACS-calculated amounts to be equal.

TRACS compares the household's reported income-from-assets net total amount with the TRACS-imputed income-from-assets net total amount, which was based upon TRACS-calculated income-from-assets net total amount. TRACS chooses the larger amount to determine the TRACS-calculated asset income.

TRACS expects the household-reported asset amounts in the certification to be equal to the TRACS-calculated asset amounts, which are based on the household's reported asset records. TRACS stores the submitted values even though a discrepancy between the reported and calculated totals might be detected.

TRACS only accepts assets at the household level. A future field is in the MAT10, Section 5, Asset Record that permits associating an asset with a specific household member, but it has not been activated.

TRACS exempts BMIR certifications from imputed income from assets.

Recommendations

Legislative Policy TRACS: Implement the Member Number future field in the MAT10 Section 5 record so that TRACS can determine whether or not an asset should be counted as part of the certification.

RNT-002.01: n12345789: Income from assets less than \$5,000

Handbook

HANDBOOK (5-7.E, p 5.22): Calculating Income from Assets When Assets Total \$5,000 or Less

If the total cash value of all the family's assets is \$5,000 or less, the actual income the family receives from assets is the amount that is included in annual income as income from assets.

TRACS

TRACS accepts the reported income from assets when the cash value reported for the assets is \$5,000 or less and includes it in annual income.

Recommendations

N/a

RNT-002.02: n1234n789: Income from Assets Exceeding \$5,000

Handbook

HANDBOOK (5-7.F, p 5.22): Calculating Income from Assets When Assets Exceed \$5,000

(1) When net family assets are more than \$5,000, annual income includes the greater of the following:

(a) Actual income from assets; or

(b) A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called imputed income from assets. The passbook rate is currently set at 2%.

(2) To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by .02. The product is the "imputed income" from assets. Then, add the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

TRACS

TRACS expects the reported passbook rate percent to be greater than zero for non-BMIR households; but if the rate is not greater than zero, then TRACS computes one and modifies the database field accordingly. TRACS uses the passbook rate to calculate the imputed income-from-assets. The TRACS algorithm for calculating the rate is: reported imputed income-from-assets divided by the TRACS-calculated total cash-asset amount.

TRACS calculates, using either the TRACS-calculated or household-reported passbook rate, an imputed income-from-assets if the net total cash-assets for a non-BMIR household certification is greater than \$5,000.

Recommendations

Legislative Policy TRACS: Historically, the HUD passbook rate has fluctuated. It was 5% for many years and then was allowed to vary regionally. With Change 27 to the old 4350.3, the rate was, once again, set centrally at 2%. The rate is likely to change in the future as a response to prevailing rates. That being the case, TRACS and software vendors should store a history of centrally set rates along with effective and obsolete dates so as to be able to audit certifications for correctness.

Legislative Policy TRACS: In addition to checking for the correct rate as reported in the certification, TRACS should also calculate the effective rate (imputed

Chapter 7: Income & Calculating Rent (RNT)
RNT-002.02: n1234n789: Income from Assets Exceeding \$5,000

income divided by total cash value) and generate a discrepancy when the effective rate is not as reported or not per HUD requirements.

RNT-002.03: n1234n789: Assets disposed of below fair market value

Handbook

HANDBOOK (5-7.G.6, pp 5.33-5.34): Assets disposed of for less than fair market value. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received. (This provision does not apply to families receiving only BMIR assistance.)

(a) Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, owners must compare the cash value of the asset to any amount received in compensation.

(b) However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

COMMENT: Clarification needed: The statement of the rule is confusing and could use clarification. One paragraph tells you to determine the amount given away by comparing cash value to the amount received in compensation. Another paragraph tell you to compare the fair market value to the gross amount received. The existing language allows for some abuses in the disposition of assets.

Fair market value vs cash value: This concept has always been referred to as "Assets disposed of for less than fair market value." However the amount reported is based on cash value. This results in an easy way to defeat the intent of the system. Suppose I have a \$100,000 house. Cash value is \$90,000 after disposition costs. I enter into a mortgage with my daughter--she loans me \$90,000 on the house. The cash value is now \$0 and I have a \$90,000 asset--a savings account. So far my assets still total \$90,000. Now I give the house to my other daughter. Since the house has \$0 cash value, I do not report anything on the certification. I pay off the mortgage, using my savings account. I now have \$0 in assets and have not violated the rules in the handbook. My 50059 will not carry any imputed assets for a 2-year period. I believe that the test should be based on the sales price of the asset (in this case \$0) as compared to its fair market value (\$100,000 in the example). If this is done then my 50059 should carry a \$100,000 amount for two years. Another way to avoid this situation would be to require that loans not be included in divestiture costs. If that were to be done, the cash value would be \$90,000 in both examples and \$90,000 would be carried on the certification for two years.

HANDBOOK 5-7.G.8.c, p 5.34): When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, then the tenant may request an interim recertification to remove the disposed asset(s).

(d) Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation are not counted.

(e) Assets placed in nonrevocable trusts are considered as assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgments.

(f) Applicants and tenants must sign a self-verification form at their initial certification and each annual recertification identifying all assets that have been disposed of for less than fair market value or certifying that no assets have been disposed of for less than fair market value.

(g) Owners need to verify the tenant self certification only if the information does not appear to agree with other information reported by the tenant/applicant.

TRACS

TRACS does not know when an asset is disposed of; although, there is a field in the MAT10, Section 5, Asset Record that was intended to collect this data. It has not been activated.

Recommendations

Legislative Policy TRACS: TRACS does not currently collect the date assets are disposed of. This future field should be activated in the MAT so that TRACS can tell whether or not a divested asset should be included on the certification.

Legislative Policy TRACS: Change 27 of the prior handbook (paragraph 3-16) said that assets are considered to be disposed of for less than fair market value when the cash value of the disposed asset exceeds the gross amount the family received by more than \$1000. The new handbook compares the fair market value of all assets given away to the gross amount received. This implies that all assets, no matter how large, divested for less than fair market value should be reported on a certification along with a divestiture date. So that TRACS can do a proper audit.

Rule # RNT-003.00: n1234n789: Determining Adjusted Income

Handbook

HANDBOOK (5-9, p 5.36): Key Requirements for Determining Adjusted Income

(A) There are five possible deductions that may be subtracted from annual income based on allowable family expenses and family characteristics. The remainder, after these deductions are subtracted, is called adjusted income. Adjusted income is generally the amount upon which rent is based. See Section 4 of this chapter for information about specific rent calculation methods. This section focuses on the calculation of annual adjusted income. Before rent is calculated, annual adjusted income is converted to monthly adjusted income.

(B) Of the five possible deductions, three are available to any assisted family, and two are permitted only for elderly or disabled families.

(1) The three types of deductions available to any assisted family are:

- (a) A deduction for dependents;
- (b) A child care deduction; and
- (c) A disability assistance deduction.

(2) The two types of deductions permitted only for families in which the head, spouse, or co-head is elderly or disabled are:

- (a) An elderly/disabled family deduction; and
- (b) A deduction for unreimbursed medical expenses.

NOTE: A family may not designate a family member as head or co-head solely to become eligible for these additional benefits. The remaining member of a family listed in paragraph 5-9 B2 who is not 62 or older or a person with disabilities is not eligible for these allowances.

TRACS

TRACS expects the able-to-work-care-code to be Handicapped or Child or both. TRACS also expects that the member who can work due to the able-to-work-care allowance is at least 18 years old and a Head, Spouse, Co-head, or Dependent/Other Adult who is 18 or older.

TRACS excludes Foster Children, Live-ins, and Others who are younger than 18, from receiving child care or handicap allowances.

TRACS includes the Head, Co-head, Spouse, or Others who are at least 18, as candidates for receiving childcare or handicap allowances.

TRACS totals the household incomes made possible because of the “able-to-work-care-code” assistance for the members drawing employment income: total income for child care; total income for handicap assistance; and total income for child care/handicap assistance.

TRACS Codes used in calculating Childcare Allowances

Childcare (C), Handicap assistance (H), and Childcare/Handicap (CH) – reasons why income assistance may be provided to household.

Head, Co-Head, and Spouse - family members whose income may be used in calculating childcare allowance:

Business (B), Federal (F), Military (M), and Non-Federal wage (W) - Income types included for childcare allowance purposes.

Rules applied in calculating childcare allowance:

- (1) Apply Childcare (C) income to Childcare Expense A (for working).
- (2) Apply Childcare/Handicap Assistance (CH) income to Childcare Expense A, first. Apply any remaining amount to the Handicapped Expense.
- (3) A household may claim both Childcare Expense A and Childcare Expense B (looking for work or attending school).
- (4) Neither Childcare Expense A nor B may be claimed by households with no children under age 13.
- (5) Childcare Expense B: a) DOES NOT require income to justify its use nor, b) have a limit.
- (6) If there is no Business Income identified by (C), (H), or (CH), Childcare Expense MUST be 0.

TRACS Calculates Total Allowances

Total Allowances =

(Dependent allowance + Childcare allowance + Handicapped allowance + Medical allowance + Elderly allowance).

TRACS expects reported total allowance to equal the TRACS calculated allowance totals.

TRACS Calculate Adjusted Income Amount

Adjusted Income = (Annual Income – Total allowances)

Note: If the result is < 0, set the Adjusted Income = 0. Reported adjusted totals are expected to equal the TRACS calculated totals. TRACS creates an adjustment of income record for each applicable expense/allowance.

TRACS does not permit BMIRs to receive allowances, therefore, all allowances and expenses should be zero.

Adjusted Income is not allowed for BMIRs. If supplied, the amount is set to 0.

Recommendations

Legislative Policy TRACS: Make it clear that the Child Care deduction must be calculated before the Disability Assistance deduction. Since both types of expenses can enable incomes, different results can be reached if calculations are done in a different order. The handbook already requires that the Disability deduction be calculated before the Medical deduction.

Legislative Policy TRACS: The 50059 data requirements do not currently require that each item of expense be reported—only totals in each category. Without the individual expenses it is not possible to properly audit the Child Care and Disability deductions. Also the care codes are attached to members, rather than to incomes. What is needed is a data model that allows expenses to be attached to one or more specific incomes along with a detailed algorithm for doing the calculations.

Legislative Policy TRACS: It would enhance software audits if the members receiving the care were also identified.

RNT-003.01: n1234n789: Dependent Deduction

Handbook

HANDBOOK (5-10.A, p 5.37): Dependent Deduction

(1) A family receives a deduction of \$480 for each family member who is:

(a) Under 18 years of age;

(b) A person with disabilities; or

(c) A full-time student of any age.

(2) Some family members may never qualify as dependents regardless of age, disability, or student status.

(a) The head of the family, the spouse, and the co-head may never qualify as dependents.

(b) A foster child, an unborn child, a child who has not yet joined the family, or a live-in aide may never be counted as a dependent.

(3) A full-time student is one who is carrying a full-time subject load at an institution with a degree or certificate program. A full-time load is defined by the institution where the student is enrolled.

(4) When more than one family shares custody of a child and both live in assisted housing, only one family at a time can claim the dependent deduction for that child. The family with primary custody or with custody at the time of the initial certification or annual recertification receives the deduction. If there is a dispute about which family should claim the dependent deduction, the family should refer to available documents such as copies of court orders or an IRS return showing which family has claimed the child for income tax purposes.

TRACS

TRACS expects a full-time student to be a dependent and 18-years of age or older.

TRACS calculates total dependent allowance by multiplying the number of dependents by \$480. The reported dependent number and allowance are expected to equal the TRACS calculated dependent number and allowance.

Recommendations

Legislative Policy TRACS: A modification to the TRACS algorithms will be needed to deal with the reporting of joint custody children who do not receive a dependent allowance.

RNT-003.02: n1234n789: Child Care Deduction

Handbook

HANDBOOK (5-10.B, p 5.37-5.39): Child Care Deduction

(1) Anticipated expenses for the care of children under age 13 (including foster children) may be deducted from annual income if all of the following are true:

(a) The care is necessary to enable a family member to work, seek employment, or further his/her education (academic or vocational).

(b) The family has determined there is no adult family member capable of providing care during the hours care is needed.

(c) The expenses are not paid to a family member living in the unit.

d. The amount deducted reflects reasonable charges for child care.

(e) The expense is not reimbursed by an agency or individual outside the family.

(f) Child care expenses incurred to permit a family member to work must not exceed the amount earned by the family member made available to work during the hours for which child care is paid.

(2) When child care enables a family member to work or go to school, the rule limiting the deduction to the amount earned by the family member made available to work applies only to child care expenses incurred while the individual is at work. The expense for child care while that family member is at school or looking for work is not limited.

(3) Child care attributable to the work of a full-time student (except for head, spouse, co-head) is limited to not more than \$480, since the employment income of full-time students in excess of \$480 is not counted in the annual income calculation. Child care payments on behalf of a minor who is not living in the applicant's household cannot be deducted.

(4) Child care expenses incurred by two assisted households with split custody can be split between the two households when the custody and expense is documented for each household and the documentation demonstrates that the total expense claimed by the two households does not exceed the cost for the actual time the child spends in care.

COMMENT: Clarification needed: With split custody, are there any limits on the ratio of the split? For example, would a household with 10% custody be able to claim child care expenses for the 10% of the time they have a child?

TRACS

TRACS accepts the “able-to-work-care-code”, permitting child care and/or handicap assistance, for a reported Head, Co-head, Spouse, or Other adult member at least 18 years of age, who receives employment income.

Childcare Allowance

Expense A – enables a family member to work,

Expense B – enables family member to look for work or go to school

Children in household under 13:

If the household has childcare expense A, and childcare income OR childcare/handicap assistance:

(a) TRACS subtracts the childcare expense A from the childcare income. If childcare expense A is less than the earned childcare income, the childcare expense A goes to the childcare allowance and the remaining earned childcare income is applied to childcare/handicapped.

(b) If there is no remaining childcare income after childcare expense A has been met, and no childcare/handicap assistance, childcare allowance is the same as the reported childcare income.

(c) If there is childcare/handicap assistance, TRACS adds childcare earned income and childcare assistance, then subtracts the reported expense A. If the childcare/handicap assistance is greater than childcare expenses, childcare allowance is the same as the reported childcare expense A. If there is more expense A than childcare/handicap assistance, then childcare allowance is the sum of childcare income plus handicap assistance.

(d) If there is no childcare income or childcare/handicap assistance, then childcare allowance is zero.

(e) If childcare expense A is zero, then childcare allowance is zero.

No children in the household under 13:

No childcare allowance is given

Total Childcare allowance = Childcare allowance A + Childcare allowance B.

TRACS expects the reported childcare allowance to equal the TRACS calculated childcare allowance.

Recommendations

Legislative Policy TRACS: Clarify the handling of the case of an adult who is a dependent by virtue of disability (or student status) and subject to joint custody. Would only one household be entitled to the dependent allowance? Would disability expenses be shared on a prorated basis? How would income be reported?

RNT-003.03: n1234n789: Deduction for Disability Assistance Expense

Handbook

HANDBOOK (5-10.C, pp 5.39-5.41): Deduction for Disability Assistance Expense

(1) Families are entitled to a deduction for unreimbursed, anticipated costs for attendant care and “auxiliary apparatus” for each family member who is a person with disabilities, to the extent these expenses are reasonable and necessary to enable any family member 18 years of age or older who may or may not be the member who is a person with disabilities (including the member who is a person with disabilities) to be employed.

(2) This deduction is equal to the amount by which the cost of the care attendant or auxiliary apparatus exceeds 3% of the family’s annual income. However, the deduction may not exceed the earned income received by the family member or members who are enabled to work by the attendant care or auxiliary apparatus.

(3) If the disability assistance enables more than one person to be employed, the owner must consider the combined incomes of those persons. For example, if an auxiliary apparatus enables a person with a disability to be employed and frees another person to be employed, the allowance cannot exceed the combined incomes of those two people.

...

(7) When the same provider takes care of children and a disabled person over age 12, the owner must prorate the total cost and allocate a specific cost to attendant care. The sum of both child care and disability assistance expenses cannot exceed the employment income of the family member enabled to work.

TRACS

TRACS expects a member with a Handicapped status to be a Head, Spouse or Co-head.

Handicapped Allowance

Household contains handicapped member(s):

(a) If there are handicapped expenses, but the reported handicapped expenses are $\leq 3\%$ of the household’s annual income, then, handicapped allowance = 0.

(b) If there are handicapped expenses, and the reported handicapped expense are $> 3\%$ of the household's annual income,
then, handicapped allowance = (reported handicapped expense – 3% annual income).

Note: The allowance cannot exceed the amount of income earned by the family member enabled to work by the handicapped expense.

(c) If there are no reported handicapped expenses, handicapped allowance = 0.

Household contains no handicapped member(s), Handicapped allowance = 0.
TRACS expects:

(a) The reported 3% of annual income to equal the value calculated by TRACS.

(b) The reported handicap allowance to equal the TRACS calculated handicap allowance.

Recommendations

N/a

RNT-003.04: n1234n789: Medical Expense Deduction

Handbook

HANDBOOK (5-10.D, pp 5.42-5.45): Medical Expense Deduction

(1) The medical expense deduction is permitted only for families in which the head, spouse, or co-head is at least 62 years old or is a person with disabilities (elderly or disabled families).

(2) If the family is eligible for a medical expense deduction, owners must include the unreimbursed medical expenses of all family members, including the expenses of nonelderly adults or children living in the family.

(3) Medical expenses include all expenses the family anticipates to incur during the 12 months following certification/recertification that are not reimbursed by an outside source, such as insurance.

(4) The owner may use the ongoing expenses the family paid in the 12 months preceding the certification/recertification to estimate anticipated medical expenses.

(5) The medical expense deduction is that portion of total medical expenses that exceeds 3% of annual income.

...

(9) Special calculation for families eligible for disability assistance and medical expense deductions. If an elderly family has both unreimbursed medical expenses and disability assistance expenses, a special calculation is required to ensure that the family's 3% of income expenditure is applied only one time. Because the deduction for disability assistance expenses is limited by the amount earned by the person enabled to work, the disability deduction must be calculated before the medical deduction is calculated.

(a) When a family has unreimbursed disability assistance expenses that are less than 3% of annual income, the family will receive no deduction for disability assistance expense. However, the deduction for medical expenses will be equal to the amount by which the sum of both disability and medical expenses exceeds 3% of annual income.

(b) If the disability assistance expense exceeds the amount earned by the person who was enabled to work, the deduction for disability assistance will be capped at the amount earned by that individual. When the family is also eligible for a medical expense deduction, however, the 3% may have been exhausted in the first calculation, and it then will not be applied to medical expenses.

TRACS

Medical and Elderly Allowance

Household contains elderly member(s) eligible for medical allowance:

Elderly allowance = \$400.00.

(a) If no medical expenses reported, medical allowance = 0.

If household contains handicapped member(s) with medical and handicapped expenses, TRACS first calculates 3% of annual income. It then determines whether the handicapped expense is \geq 3% of household's annual income. If true, then medical allowance is set to the reported medical expenses.

If 3% of household's annual income is $<$ handicapped expenses, then medical allowance is equal to $(\text{handicapped expenses} + \text{medical expenses}) - 3\%$ of annual income.

(b) If household contains handicapped member(s) and medical expense $>$ 0, but handicapped expense = 0,

Medical allowance = medical expenses $-$ 3% of annual income.

(c) If household contains no handicapped member(s),

Medical allowance = medical expenses $-$ 3% of annual income.

Note: If medical allowance is negative, medical allowance = 0. If household contains no elderly, medically eligible member(s), medical allowance and Elderly allowance = 0. TRACS expects the reported elderly allowance to equal the TRACS calculated elderly allowance.

Recommendations

N/a

RNT-003.05: n1234n789: Elderly Family Deduction

Handbook

HANDBOOK (5-10.E, p 5.45): Elderly Family Deduction

An elderly or disabled family is any family in which the head, spouse, or co-head (or the sole member) is at least 62 years of age or a person with disabilities. Each elderly or disabled family receives a \$400 family deduction. Because this is a “family deduction” each family receives only one deduction, even if both the head and spouse are elderly or disabled.

TRACS

TRACS expects the household to be identified as “elderly” if a member is at least 62 years old and a Head, Spouse, or Co-head.

Recommendations

N/a

Rule # RNT-004.00: n12345789: Verification Requirements

Handbook

HANDBOOK (5-12.A.1, p 5.47): Owners must verify all income, assets, expenses, deductions, family characteristics, and circumstances that affect family eligibility or level of assistance.

HANDBOOK (5-22, p 5.59): Interim Recertifications

When processing an interim recertification, the owner must ask the tenant to identify all changes in income, expenses, or family composition since the last recertification. Owners only need verify those items that have changed. For example, if the head of household was laid off from his or her job and asks the owner to prepare an interim recertification, the owner does not need to reverify the spouse's employment income unless that has also changed. When the tenant signs the certification she or he certifies that the information on the report is accurate and current. Additional information about the procedures for conducting interim recertifications is discussed in Chapter 7, Section 2.

TRACS

TRACS does not support the verification activities required of the owner.

Recommendations

[X] Legislative [X] Policy [] TRACS: Even though tenants are required to report and owners required to verify all income, owners are prohibited by law from access to state wage and income tax data that could help them do such verification. Consider requesting a modification to statute to allow for such income matching.

RNT-004.01: n12345789: SS/SSI Income Data Match

Handbook

HANDBOOK (5-16, p 5.54): Social Security and Supplemental Security Income Data Match

(A) Owners verify social security income and supplemental security income electronically through TRACS. If there is a discrepancy between income reported by the tenant or applicant and income provided by the Social Security Administration (SSA), TRACS will automatically generate a message that is sent to the owner. The owner must attempt to contact the applicant or tenant to disclose the discrepancy. Exhibit 5-8 provides detailed guidance on verifying social security and supplemental security income.

(B) Additional information is available on HUD's website page describing the tenant assessment system (for tenant income verification) (TASS):

www.hud.gov/offices/reac/products/prodtass.cfm

TASS is a computer-based tool to assist owners in verifying tenant incomes by comparing tenant-reported information to information in other HUD systems from the Social Security Administration and the Internal Revenue Service.

TRACS

TRACS extracts data from the Tenant database, monthly, for those tenants scheduled to recertify within four-months and transmits these data to TASS. TASS obtains from the SSA the current SS/SSI data for the tenants and prepares Tenant Benefit History Reports for the owners to use in verifying SS/SSI income amounts. TRACS also has an Internet facility that allows owners to request Benefit History Reports for specific tenants in the next monthly extract .

TRACS extracts the identification of all members reported on certifications submitted to the nightly process and transmits these data to SSA. The response from SSA is used to confirm social security numbers and the SS/SSI income submitted in the certification.

Recommendations

Legislative Policy TRACS: Perform a cost-benefit analysis on the SS/SSI Data Match process. Data quality issues reported with the SSA data may cost HUD and the multifamily Industry more than the savings in assistance payments.

RNT-004.02: n12345789: Effective Term of Verifications

Handbook

HANDBOOK (5-17.B, p 5.56): Effective Term of Verifications

(1) Verifications are valid for 90 days from the date of receipt by the owner.

(2) For the next 30 days (days 91–120), the owner may update the verifications orally with the verification source. As with any oral verification, the owner must include written documentation in the file.

(3) If verifications are more than 120 days old, the owner must obtain new verifications.

(4) Time limits do not apply to information that does not need to be reverified, such as:

(a) Age;

(b) Disability status;

(c) Family membership; or

(d) Citizenship status.

(5) Time limits also do not apply to the verification of social security numbers; however, at each recertification any family member who has previously reported having never received a social security number, must be asked:

(a) To supply verification of a social security number if one has been received; or

(b) To certify, again, that he/she has never received a social security number.

TRACS

TRACS does not receive information on verification dates.

Recommendations

Legislative Policy TRACS: Family members without social security numbers should be required to get them.

Rule # RNT-005.00: 012345789: Calculating Tenant Rent

Handbook

Paraphrase of handbook follows:

For subsidy types with assistance payments (Section 8, PAC, PRAC, RAP, and Rent Supplement) Total Tenant Payment (TTP) is calculated first. Tenant Rent is then calculated by subtracting any Utility allowance from TTP. Assistance is determined by subtracting TTP from the Gross rent for the unit. (5-25 through 5-31)

For subsidy types without assistance payments (Section 236 and BMIR) a Tenant Rent is calculated directly.

For Section 8, RAP, Rent Supplement, and Section 236, special calculations apply for mixed families as defined under the noncitizen rule. (Exhibits 3-12 through 3-14)

TRACS

TRACS expects the values it calculates to equal the values submitted in certifications and other transactions.

TRACS stores the calculated values for TTP, TR, and UR in place of the values submitted. A discrepancy message is generated if the values differ.

Recommendations

- Legislative Policy TRACS: Modify TRACS to store the submitted values.

- Legislative Policy TRACS: Update TRACS TTP and Rent calculations to follow the latest handbook rules for calculations and rounding.

RNT-005.01: n123nn789: Calculating Total Tenant Payment (TTP)

Handbook

HANDBOOK (5-25, pp 5.60-5.61): Calculating the Tenant Contribution for Section 8, PAC, PRAC, RAP, and Rent Supplement Properties

(A) Total Tenant Payment (TTP)

The Total Tenant Payment (TTP) is the amount a tenant is expected to contribute for rent and utilities. TTP for Section 8, PAC, PRAC, RAP, and Rent Supplement properties is based on the family's income. The formulas for calculating TTP are shown in Figure 5 6. Exhibit 5-9 also shows the formulas for calculating tenant contributions for all assisted-housing programs.

(B) Unit Rent

(1) The contract rent (basic rent in the Section 236 program) represents the amount of rent an owner is entitled to collect to operate and maintain the property. It is HUD-approved. For Section 202 and 811 PRACS, the contract rent is the operating rent minus the utility allowance.

(2) Projects in which the tenant pays all or some utilities have HUD-approved utility allowances that reflect an estimated average amount tenants will pay for utilities assuming normal consumption.

(C) Timeframe for Calculating Rent

Owners calculate rent at three points in time.

(1) Owners must calculate rent prior to occupancy by an applicant.

(2) Owners must calculate rent as part of an annual recertification. Refer to Chapter 7, Section 1 for information on annual recertification of income.

(3) When assistance is provided through Section 8, PAC, PRAC, RAP, or Rent Supplement, owners must recalculate rent if a tenant reports a change in income, allowances, or family composition. Refer to Chapter 7, Section 2 for information on interim recertifications of income.

Figure 5-6: [from Handbook] Total Tenant Payment Formulas

Section 8, PAC, PRAC, and RAP

- TTP is the greater of the following:
 - ◆ 30% of monthly adjusted income;
 - ◆ 10% of monthly gross income;
 - ◆ Welfare rent (welfare recipients in as-paid localities only); or
 - ◆ The \$25 minimum rent (Section 8 only).
- Section 8, RAP, and PAC programs may admit an applicant only if the TTP is less than the gross rent.
- In PRAC properties, the TTP may exceed the PRAC operating rent.

Rent Supplement

- TTP is the greater of the following:
 - ◆ 30% of monthly adjusted income; or
 - ◆ 30% of gross rent.
- At move-in or initial certification, the amount of Rent Supplement assistance may be no less than 10% of the gross rent or the tenant is not eligible.

TRACS

TRACS calculates TTP as the larger of: a) 30% of adjusted monthly income, b) 10% of monthly income, or c) welfare rent.

TRACS calculates 30% of gross rent and compares it to 30% of the tenant's monthly adjusted income. Total tenant payment is the higher of the two amounts.

Recommendations

Legislative Policy TRACS: TRACS should add the edit requiring TTP to be less than gross rent for Section 8, RAP, and PAC programs.

RNT-005.02: n123nn789: Calculating Tenant Rent

Handbook

HANDBOOK (5-26.A, p 5.62): Tenant Rent

Tenant rent is the portion of the TTP the tenant pays each month to the owner for rent. Tenant rent is calculated by subtracting the utility allowance from the TTP. It is possible for tenant rent to be \$0 if the utility allowance is greater than the TTP. (See paragraph 9-13 for more information on utility reimbursements when the utility allowance is greater than the TTP.)

TRACS

$TTP - UA = \text{Tenant Rent}$ (when $TTP \geq UA$)

If assistance is not prorated, tenant rent is zero when the utility allowance is $>$ total tenant payment. Otherwise, tenant rent is total tenant payment minus utility allowance.

Recommendations

N/a

RNT-005.03: n123nn789: Calculating Assistance

Handbook

HANDBOOK (5-26.B, p 5.62):
(B) Assistance Payments

The assistance payment is the amount the owner bills HUD every month on behalf of the tenant. The assistance payment covers the difference between the TTP and the gross rent. It is the subsidy that HUD pays to the owner.

TRACS

Gross Rent – TTP = HAP/RAP/Rent Supplement/PAC/PRAC (Note: “HAP” = “Section 8”)

TRACS calculates assistance payment as gross rent – TTP.

On a MI or IC, TRACS expects the Rent Supp assistance to be \geq 10% of gross rent.

Recommendations

N/a

RNT-005.04: n123nn789: Utility Reimbursement

Handbook

HANDBOOK (5-26.C, p 5.63):

C. Utility Reimbursement

When the TTP is less than the utility allowance, the tenant receives a utility reimbursement to assist in meeting utility costs. The tenant will pay no tenant rent. The utility reimbursement is calculated by subtracting the TTP from the utility allowance.

TRACS

Utility Reimbursement = $UA - TTP$ (when $TTP < UA$)

Recommendations

N/a

RNT-005.05: n1nnnnnnn: Section 8 Minimum Rent

Handbook

HANDBOOK (5-26.D, pp 5.63-5.65): Section 8 Minimum Rent
Tenants in properties subsidized through the Section 8 program must pay a minimum TTP of \$25.

(1) The minimum rent is used when 30% of adjusted monthly income and 10% of gross monthly income, and the welfare rent where applicable, are all below \$25.

(2) The minimum rent includes the tenant's contribution for rent and utilities. In any property in which the utility allowance is greater than \$25, the full TTP is applied toward the utility allowance. The tenant will receive a utility reimbursement in the amount by which the utility allowance exceeds \$25.

(3) Financial hardship exemptions.

(a) Owners must waive the minimum rent for any family unable to pay due to a long-term financial hardship, including the following:

- The family has lost federal, state, or local government assistance or is waiting for an eligibility determination.

- The family would be evicted if the minimum rent requirement was imposed.

- The family income has decreased due to a change in circumstances, including but not limited to loss of employment.

- A death in the family has occurred.

- Other applicable situations, as determined by HUD, have occurred.

(b) Implementing an exemption request. When a tenant requests a financial hardship exemption, the owner must waive the minimum \$25 rent charge beginning the month immediately following the tenant's request and implement the TTP calculated at the higher of 30% of adjusted monthly income or 10% of gross monthly income (or the welfare rent). The TTP will not drop to zero unless those calculations all result in zero.

(1) The owner may request reasonable documentation of the hardship in order to determine whether there is a hardship and whether it is temporary or long term in nature. The owner should make a determination within one week of receiving the documentation.

(2) If the owner determines there is no hardship as covered by the statute, the owner must immediately reinstate the minimum rent requirements. The tenant is responsible for paying any minimum rent that was not paid from the date rent was suspended. The owner may not evict the tenant for nonpayment of rent during the time in which the owner was making the determination. The owner and tenant should reach a reasonable repayment agreement for any back payment of rent.

(3) If the owner determines that the hardship is temporary, the owner may not impose the minimum rent requirement until 90 days after the date of the suspension. At the end of the 90-day period, the tenant is responsible for paying the minimum rent, retroactive to the initial date of the suspension. The owner may not evict the tenant for nonpayment of rent during the time in which the owner was making the determination or during the 90-day suspension period. The owner and tenant should reach a reasonable repayment agreement for any back payment of rent.

(4) If the hardship is determined to be long term, the owner must exempt the tenant from the minimum rent requirement from the date the owner granted the suspension. The suspension may be effective until such time that the hardship no longer exists. However, the owner must recertify the tenant every 90 days while the suspension lasts to verify that circumstances have not changed. The length of the hardship exemption may vary from one family to another depending on the circumstances of each family. The owner must process an interim recertification to implement a long-term exemption. Owners must maintain documentation on all requests and determinations regarding hardship exemptions.

COMMENT: Clarification needed: What is the meaning of “However, the owner must recertify the tenant every 90 days while the suspension lasts to verify that circumstances have not changed?” Is a full recertification and verification required or simply an interview requesting information about any changes followed by verification of the changed information? The latter would be similar to the requirements for an interim certification.

COMMENT: Clarification needed: Is this an exception to the rule requiring an interim recertification only if household income increases by more than \$200 per month? Or would the owner only recertify if income has gone up by \$200 or more?

TRACS

Section 8 tenants are expected to pay a minimum rent of \$25.00

The following Section 8 tenants are required to pay a minimum rent of \$25:

(a) Those with a certification effective date \geq 10/01/1996 and a TTP $<$ \$25.

(b) Those with a certification effective date \geq 07/01/1996 , a certification type of MI or IC, and a TTP of $<$ \$25.

A Section 8 household is exempt from the minimum rent if it can prove a valid hardship.

Note: Although, TRACS apparently recognizes the Minimum Rent Hardship Exemption Code, it also appears to retain the obsolete minimum rent logic.

TRACS requires the minimum rent hardship exemption code to be set to a value of 1, 2, 3, 4, or 5 if the household is claiming an exemption from the \$25 minimum rent.

Recommendations

N/a

RNT-005.06: n123nn789: Welfare Rent

Handbook

HANDBOOK (5-26.E, pp 5.65-5.66):

(E) Welfare Rent

(1) The term “welfare rent” applies only in states that have “as-paid” public benefit programs. A welfare program is considered “as-paid” if the welfare agency does the following:

- (a) Designates a specific amount for shelter and utilities; and
 - (b) Adjusts that amount based upon the actual amount the family pays for shelter and utilities.
- (2) The maximum amount that may be specifically designated for rent and utilities is called the “welfare rent.”

TRACS

TRACS uses the welfare rent, if submitted, as a factor in the TTP algorithm. No validation is performed by TRACS on welfare rent.

Recommendations

Legislative Policy TRACS: It would be useful for the Handbook to identify states in which this rule is applicable.

RNT-005.07: n1nnnnnnn: Rent for Authorized Security Personnel

Handbook

HANDBOOK (5-27, p 5.66): Calculating Assistance Payments for Authorized Police/Security Personnel

(A) The amount of the monthly assistance payment to the owner is equal to the contract rent minus the monthly amount paid by the police officer or security personnel. HUD will not increase the assistance payment due to nonpayment of rent by the police officer or security personnel.

NOTE: The owner is not entitled to vacancy payments for the period following occupancy by a police officer or security personnel.

(B) For police/security personnel whose income exceeds the income limit for the property, the rent is set by the owner.

(1) The determination of the rent amount in such circumstances should take into consideration the income of the officer, the location of the property, and rents for comparable unassisted units in the area.

(2) Owners should establish a rent that is attractive to the officer, but not less than what the officer would pay as an eligible Section 8 tenant.

(3) Owners are expected to use a consistent methodology for each property when establishing the rents for officers in these circumstances.

COMMENT: Clarification needed: Given the limitation that the rent should not be less than an eligible Section 8 tenant would pay, does this mean that such people are subject to the same annual and interim recertification rules as other Section 8 tenants?

Also, Appendix 7, Field B65, Police or Security Tenant says that the TTP must be at least 50% of contract rent. Which is correct, the appendix or the language in 5-27 that implies that TTP could be any amount?

TRACS

TRACS expects the TTP of a police/security tenant to be \geq 50% of gross rent.

Recommendations

Legislative Policy TRACS: HUD, not the owner, should establish the formula for calculating TTP for Security Personnel in order to apply a consistent audit standard. The contract rent for the unit needs to remain consistent with the contract.

RNT-005.08: n1nnnnn8n: Rent in Group Homes

Handbook

HANDBOOK (5-28, pp 5.66-5.70): Calculating Tenant Contribution for “Double Occupancy” in Group Homes

(A) Double Occupancy

Some group homes for disabled residents provide units that may be shared by unrelated single tenants. The calculations for tenant contribution and for the assistance payment vary depending on whether the project is a Section 202/8 or a Section 811.

(B) Total Tenant Payment

In both Section 202/8 and Section 811 group homes, each tenant in a double occupancy room is treated as a separate family in the calculation of TTP. Each resident is entitled to any deductions he or she would receive if occupying a single room, including the \$400 elderly/disabled family deduction.

(C) Contract Rent and Assistance Payment in Section 202/8 Group Homes

(1) In Section 202/8 group homes, the contract rent for a room shared by two occupants is split between the two tenants.

(2) The assistance payment for the Section 202/8 double occupancy room is calculated separately for each tenant based on half of the contract rent for the unit.

(3) If the tenant rent for either tenant exceeds half of the contract rent, that tenant’s rent will be capped at half of the contract rent. In the Section 202/8 double occupancy room, half of the contract rent is the maximum rent one occupant can pay.

(4) Owner’s rent-calculation software must reflect the split-unit rent and contain unit numbers that provide a distinction between tenants (e.g., unit 101A, 101B).

(D) Contract Rent and Assistance Payment in Section 811 Group Homes

(1) In a Section 811 property, each tenant is certified separately and pays the greater of 30% of monthly adjusted income, 10% of monthly annual income, or the welfare rent.

(2) In the Section 811 double occupancy unit, both occupants will pay the calculated TTP amount regardless of the operating rent for the unit.

(E) Calculating Rent at Change in Occupancy

(1) If there is a change in the number of individuals occupying the double occupancy unit, the assistance payment for the whole unit may change.

(2) In a Section 202/8 double-occupancy room, the rent and assistance payments are calculated as if each tenant occupied a separate unit each with a rent equaling half of the contract rent for the unit. If one resident moves out, the TTP and assistance payment calculations for the remaining resident remain the same. The other half of the unit is treated like a vacant unit: there is no HAP payment but the owner may be eligible for vacancy loss claims for the vacated half of the unit.

(3) In a Section 811 double-occupancy room, the rent calculation at a change in occupancy is based on the operating rent for the entire unit less the TTP for the remaining tenant in occupancy.

COMMENT: Clarification needed: The language above refers to “rent calculation” but instead should refer to subsidy calculation because the rent calculation is unchanged.

TRACS

TRACS doesn't recognize group homes. Owners of group homes have been previously instructed to add a suffix to the unit number and split the contract rent (and UT if applicable) between the two residential spaces. The assistance payment calculation is the same as other Section 8 and 811 PRAC certifications.

Note: This is consistent with the 202/8 process, but not the 811 process as stated in the revised 4350.3.

Legislative Policy TRACS: Recommendation for Reconsideration of 811 Group Home Assistance Calculations as Specified in 4350.3 REV-1, 5-28, D. & E.

The calculation, as defined in the 4350.3 REV-1 is a significant change from the way in which assistance for tenants in 811 Group Homes has been calculated in the past. The method described in the 4350.3 REV-1 is based upon the unit and not the occupants of the unit. This approach is not supported by 24 CFR, and implementing the calculation rules described in the 4350.3 REV-1 will create a significant administrative burden for the 811 Group Home, since it will require recertifying occupants of a group home unit every time a tenant moves in or out. In effect the contract rent for the tenant certification changes based upon the number of occupants in the unit.

24 CFR References:

891.150 Operating Cost Standards

... However, under the Section 811 Program and for projects funded under (paragraphs) 891.655 through 891.790 (PACs), the operating costs for group homes shall be based upon the number of residents...

891.410 Selection and Admission of Tenants

(d) Unit Assignment

If the Owner determines that the household is eligible and is otherwise acceptable and units (or residential spaces in a group home) are available, the Owner will assign the household a unit or residential space in a group home.

891.435 Security Deposits

(a) Collection of Security Deposits

At the time of the initial execution of the lease, the Owner (or Borrower, as applicable) will require each household (or family, as applicable) occupying an assisted unit or residential space in a group home to pay a security deposit in an amount equal to one month's tenant payment or \$50, whichever is greater.

891.445 Conditions for Receipt of Vacancy Payments for Assisted Units

(b) Vacancies during rent-up.

... the Owner is entitled to vacancy payments in the amount of 50 percent of the per unit operating cost (or pro-rata share of the group home operating cost) for the first 60 days of vacancy...

(c) Vacancies after rent-up.

If an eligible household vacates an assisted unit (or residential space in a group home) the Owner is entitled to vacancy payments in the amount of 50 percent of the approved per unit operating cost (or pro rata share of the group home operating cost) for the first 60 days of vacancy...

Note: Under the definition in 4350.3 REV-1 a vacancy payment for a group home would only be paid on totally vacant units. By making sure that at least one tenant was in every unit, vacancy payments would never be paid, and full assistance would be received on every partially occupied unit.

Problem that may not be addressed by the 4350.3 REV-1

891.665 Project Size Limitations (202/162 PAC)

(a) Maximum Project Size

(3) Independent living complexes...

...For the purposes of this section, household has the same meaning as handicapped family, except that unrelated handicapped individuals sharing

a unit (other than a handicapped person living with another person who is essential to the handicapped person's well-being) are counted as separate households....

Note: This seems to describe the process in the revised 4350.3 for 811 Group Homes.

Technically, this doesn't appear to describe a group home, but it does describe multiple households living in a single "unit" This may be addressed in the 4350.3 REV-1, but I couldn't find it. It would simplify administration in these instances if an independent living complex with multiple households occupying a "unit" were treated the same as a 202/8 double occupancy situation.

Recommendation:

N/a

RNT-005.09: nnnn45nnn: Tenant Rent for Section 236 and BMIR

Handbook

HANDBOOK (5-29, pp 5.70-5.71): 5-29 Calculating Tenant Contribution for Section 236 and Section 221(d)(3) Below Market Interest Rate (BMIR)

(A) Tenant's Rent Contribution

The tenant's contribution to rent in the Section 236 and Section 221(d)(3) BMIR programs is based on the cost to operate the property and the income of the family. Figure 5-7 presents the rules for determining the tenant rent in these two programs.

(1) Section 236 property. Every Section 236 property has a HUD-approved basic rent and market rent. Basic rent is the minimum rent all Section 236 tenants must pay. It represents the cost to operate the property after HUD has provided mortgage assistance to reduce the mortgage interest expense. The market rent represents the amount of rent the owner would have to charge, if the mortgage were not subsidized. Tenants pay a percentage of their income towards rent, but never pay less than the basic rent or more than the market rent for the property.

When a tenant pays more than basic rent, the difference between the tenant's rent and basic rent is called "excess income." Excess income is an amount that exceeds what the owner needs to operate the property and is subject to specific requirements. Refer to HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing, and other current HUD notices for guidance on handling excess income. Although a tenant may pay more than basic rent, no tenant in a Section 236 property will pay more than the market rent for the property.

(2) Section 221(d)(3) BMIR property. There is no rent calculation for tenants in a Section 221(d)(3) BMIR property. HUD approves a BMIR rent that all of the tenants must pay. The federal assistance in the BMIR property is provided through a below market interest rate for the mortgage loan. Applicants must meet income eligibility standards to be admitted to a BMIR property. After move-in, if a tenant's annual income goes above 110% of the BMIR income limit, the tenant must pay 110% the BMIR rent.

(3) BMIR cooperative. If a BMIR cooperative member's annual income exceeds 110% of the BMIR income limit at the time of recertification, the cooperative must levy a surcharge to the member. See the definition of market rent in the Glossary for an explanation of the market carrying charge for over-income cooperative members.

(B) Timeframe for Calculating Rent

Owners calculate rent at three points in time.

- (1) Owners must calculate rent prior to occupancy by an applicant.
- (2) Owners must calculate rent as part of an annual recertification. Refer to Chapter 7, Section 1 for information on annual recertification of income.
- (3) Owners of Section 236 properties must calculate rent if a tenant reports a change in income, allowances, or family composition. Refer to Chapter 7, Section 2 for information on interim recertifications of income.

Figure 5-7: Tenant Contributions for the Section 236 and Section 221(d)(3) BMIR

Section 236	
Section 236 without Utility Allowance	Section 236 with Utility Allowance
<ul style="list-style-type: none">• Tenant rent is the greater of:<ul style="list-style-type: none">◆ 30% of monthly adjusted income; or◆ Section 236 basic rent.• Tenant rent may not be more than the Section 236 market rent.	<ul style="list-style-type: none">• Tenant rent is the greater of:<ul style="list-style-type: none">◆ 30% of monthly adjusted income less the utility allowance; or◆ 25% of monthly adjusted income; or◆ Basic rent.• Tenant rent may not be more than the Section 236 market rent.
Section 221(d)(3) BMIR	
<ul style="list-style-type: none">• At initial certification, the tenant pays the BMIR rent.• At recertification, the tenant's annual income is compared to the BMIR income limits. If the tenant's annual income is:<ul style="list-style-type: none">◆ Less than or equal to 110% of the BMIR income limit, the tenant pays the BMIR rent;◆ Greater than 110% of the BMIR income limit, the tenant pays 110% of the BMIR rent.	

TRACS

If the tenant receives no utility allowance, TRACS calculates 30% of adjusted monthly income. It then stores the larger of basic rent or 30% of adjusted monthly income as tenant rent.

If the tenant receives a utility allowance, TRACS calculates 30% of adjusted monthly income and then subtracts the utility allowance. It compares the newly subtracted amount to the basic rent and selects the larger of the two. TRACS then compares the

selected value to the calculated minimum rent (25% of monthly adjusted income) and stores the larger of the two as the tenant rent.

TRACS expects tenant rent to be less than market rent.

TRACS does not allow a utility reimbursement. If a value other than zero is submitted, TRACS sets the utility reimbursement value to zero.

TRACS sets the assistance payment amount to zero

At move-in or initial certification, TRACS sets tenant rent to contract rent.

At annual recertification or interim recertification, TRACS multiplies the BMIR low income limit amount by 1.10. If the household's annual income is < the calculated result, the tenant continues paying contract rent. If the household's annual income is >= the calculated result, tenant rent is stored as (contract rent x 1.10).

TRACS does not allow a utility reimbursement. If a value other than zero is submitted, TRACS sets the utility reimbursement value to zero.

TRACS expects the value of percent actually charged to be zero.

TRACS sets the assistance payment amount to zero.

Recommendations

N/a

RNT-005.10: 012345789: Tenant Rent at Multiple Subsidy Properties

Handbook

HANDBOOK (5-30, pp 5.72-5.73): Determining Tenant Contribution at Properties with Multiple Forms of Subsidy

(A) At many multifamily properties different kinds of subsidies have been combined. For many years, tenant-based Section 8 subsidies have been added to properties built with Section 202 loans or financed with Section 236 and Section 221(d)(3) mortgage subsidies. Recently, the Low Income Housing Tax Credit program has been combined with a wide range of programs, from Section 202 projects with Section 8 already in place (Section 202/8) to housing choice voucher assistance.

(B) Although each of the programs combined within one property may have a different formula for determining tenant payments, it is generally possible to determine the correct rent for a family by identifying the available program for which that family is eligible that will provide the best option—or the lowest rent—for the tenant. The one exception to this can be at the recertification of a Section 8 or Rent Supplement family in a property with Low Income Housing Tax Credits. If the family's income has increased since move-in to a point that the assisted rent exceeds the Low Income Housing Tax Credit rent, that family will have to make a choice between the lower tax credit rent and the security of continuing on the rental assistance program.

COMMENT: Clarification needed: In the sentence above, should the wording be—“...to a point that the TTP exceeds the Low Income Housing Tax Credit gross rent.....”. Assisted rent is $TTP - \text{Utility allowance}$. Tax Credit collectible rent is $\text{Gross Rent} - \text{Utility allowance}$. However, in HUD terms, tenant rent cannot fall below 0. Any negative amount is reflected in a utility reimbursement. Therefore the comparison of TTP to gross rent is more appropriate.

HANDBOOK (5-30.C, p 5.73): The tenant rent at properties assisted under more than one program is generally the lowest rent available for which the tenant is eligible.

(1) Section 202/Section 8. In a Section 202 property with Section 8 tenant-based assistance, a tenant eligible for Section 8 will pay the tenant rent based on the Section 8 rent formula. If that tenant's income increases to the point that its TTP equals or exceeds the Section 8 contract rent, the family would no longer be eligible for the tenant based assistance.

COMMENT: Clarification needed: The sentence above says “...tenant's income increases to the point that its TTP equals or exceeds the Section 8 contract rent...”.

Figure 5-6 (page 5-81) allows for admission to Section 8, RAP, and PAC only if the TTP is less than the gross rent. Therefore, the language in 5-30.C.1 should be either: "tenant's income increases to the point that its TTP equals or exceeds the Section 8 gross rent." or "tenant's income increases to the point that its tenant rent equals or exceeds the Section 8 contract rent." Even better would be to say that the assistance drops to 0. With the existing language, a tenant admitted today could be considered ineligible on an interim recertification tomorrow. The same comment applies to the paragraph below.

HANDBOOK (5-30.C.2, p 5.73): Section 236/Section 8. A family with a Section 8 subsidy in a Section 236 property will pay the Section 8 tenant rent unless, at recertification, the family's TTP equals or exceeds the Section 8 contract rent. Thereafter, the family will pay the tenant rent based on the Section 236 rent formula. A family living in a Section 236 property receiving Rent Supplement assistance would also stop receiving Rent Supplement assistance at the point the family's TTP increased to the level of the rent supplement contract rent. Thereafter the family will pay the tenant rent based on the Section 236 rent formula.

COMMENT: Clarification needed: Shouldn't the language above be "...the family's TTP equals or exceeds the Section 8 GROSS rent."? Gross rent minus TTP = HAP. Whenever TTP equals or exceeds gross rent the tenant's subsidy is 0 and they are no longer considered assisted. Alternative language would be "the family's TENANT RENT equals or exceeds the Section 8 contract rent."

COMMENT: Clarification needed: If the Section 8 contract rent is greater than the Section 236 basic rent as a result of a mark to market situation, should a household whose tenant rent is above basic but less than contract have its rent capped at basic? If so, would such a tenant remain on Section 8?

HANDBOOK (5-30.C.3, p 5.73): Section 221(d)(3) BMIR with Section 8. A family receiving Section 8 assistance at a BMIR project would continue to pay the tenant rent based on the Section 8 rent formula until the TTP equaled or exceeded the BMIR rent. Thereafter, the family would pay rent based on the BMIR rent formula.

COMMENT: Clarification needed: See the two questions related to Section 236/Section 8 immediately above.

HANDBOOK (5-30.D, pp 5.73-5.74): In some instances, a tenant will not be eligible for the program offering the lowest rent, or a subsidy under that program will not be available for every unit or every tenant.

Sometimes, Section 8 subsidies are not available for the unit size the family needs, and the family must wait for a subsidy for the appropriate unit size. The owner's contract with HUD for the Section 8 assistance allocates Section 8 funding by unit size, and the owner is required to

subsidize families based on the unit sizes allocated. If the owner was allocated 10 two-bedroom subsidies and has assigned those subsidies to 10 two-bedroom families, the owner cannot use an available three-bedroom subsidy to assist an 11th two-bedroom family. If the owner has determined that the bedroom distribution in its contract does not match the need in the project, the owner can ask HUD for a contract amendment to revise the unit size designations of the subsidy awarded.

(E) In some instances, a family will not be eligible for a lower rent program available at the property.

For example, a family in a BMIR project with Section 8 may be financially stretched when paying the BMIR rent but may not be income-eligible for the lower-rent Section 8 program.

TRACS

TRACS does not recognize Low Income Housing Tax Credit rent.

Recommendations

N/a

RNT-005.11: 012345789: Procedures for Calculating Rent

Handbook

HANDBOOK (5-31, pp 5.74-5.75): 5-31 Procedures for Calculating Rent

(A) Owners must calculate tenant rent payments electronically using on-site software or a service provider. Data used to determine the rent are based on information certified as accurate by the family and independently verified.

(B) The owner's computer software calculates rent based on the appropriate formulas for the tenant's unit and produces a printed copy of the 50059 data requirements to be signed by the tenant and the owner. The owner must produce a printed report in an easily read and understood format that contains all of the information used to calculate the tenant's rent.

(C) The tenant and the owner sign a copy of the report containing a statement certifying the accuracy of the information. Models of the certification statements are provided in Figure 5-7. Additional information on the 50059 data requirements and the certification may be found in Chapter 9.

(D) The owner must give a copy of the printed 50059 data requirements with the required signatures to the tenant and place another copy in the tenant file.

(E) The 50059 data requirements are then transmitted electronically to TRACS either directly or through the Contract Administrator. Refer to Chapter 9 for information on 50059 data requirements.

TRACS

TRACS recalculates income, allowance, adjusted income, TTP, TR, and AP or UR based upon the data submitted.

Recommendations

Legislative Policy TRACS: Include the algorithms used by TRACS in the MAT User's Guide and Industry Specifications to minimize differences due to software.

Legislative Policy TRACS: Bring TRACS calculations into line with Handbook guidance.

RNT-005.12: n1234nnnn: Prorated Rents under the Noncitizen Rule

Handbook

HANDBOOK (Exhibit 3-12, pp 3.96-3.97): Section 8, RAP, and Rent Supplement Programs – Special Instructions for Determining Prorated Assistance Payment and Prorated Total Tenant Payment/Tenant Rent for Families Subject to Proration Procedures Regarding the Restriction on Assistance to Noncitizens

Special Instructions for Determining
Prorated Assistance Payment and
Prorated Total Tenant Payment/Tenant Rent

Tenants Paying a Rent Assisted Under
Section 8, Rental Assistance Payment (RAP), and
Rent Supplement

NOTE: If this tenant receives assistance under one of the programs listed above and this is a Section 236 Project, see Exhibit 3-15.

(A) Calculate the Total Tenant Payment (TTP) and the resulting assistance payment without prorations.

(1) _____ Enter the Gross Rent. Follow the instructions in Field B55, Gross Rent, of the 50059 data requirements.

(2) _____ Determine the TTP. Follow the instructions in Field B60, Total Tenant Payment, of the 50059 data requirements.

(3) _____ Subtract the TTP entered in line 2 from the Gross Rent entered in line 1. Enter the difference here. (This is the Assistance Payment the family would receive if they were not subject to the proration requirements. Follow the instructions in Field B63, Assistance Payment Amount, in completing this item.)

(B) Calculate the prorated assistance payment. Enter this amount in Field B63, Assistance Payment Amount.

(4) _____ Enter the number of people in the family who are Eligible Persons, i.e., citizens or eligible noncitizens. See the Glossary for the definition of these terms.

(5) _____ Enter the fraction that represents the number of Eligible Persons (numerator) and the number of persons in the family (denominator).

EXAMPLE: There are five persons in the family, of which three are eligible. The fraction for this family would be 3/5.

(6) ____ Multiply the amount in line 3 (the Assistance Payment the family

would pay if they were not subject to the proration procedures) by the fraction determined in line 5. Enter the product here and in Field B63, Assistance Payment Amount. This is the Prorated Housing Assistance Payment for this family.

(C) Calculate the prorated TTP.

(7) _____ Enter the Gross Rent from Field B55, Gross Rent (not Market Rent), of the 50059 data requirements.

(8) _____ Subtract the amount in line 6 (Prorated Housing Assistance Payment) from the amount in line 7 (Gross Rent). This is the Prorated TTP for this family. Transfer this amount to Field B60, Total Tenant Payment, of the 50059 data requirements.

(D) Calculate the prorated tenant rent and any utility reimbursement.

(9) _____ Enter the Utility Allowance from Field B54, Utility Allowance Amount, of the 50059 data requirements.

(10) _____ Subtract the Utility Allowance in line 9 from the Prorated TTP in line 8 and enter the amount here and in Field B61, Tenant Rent, of the 50059 data requirements. Follow the instructions in Field B61, Tenant Rent. This is the Prorated Tenant Rent.

If you entered zero in line 10 (and in Field B61, Tenant Rent, of the 50059 data requirements), complete line 11.

(11) _____ If the Utility Allowance in line 9 is greater than the Prorated TTP in line 8, enter the difference here and in Field B62, Utility Reimbursement, of the 50059 data requirements. Otherwise leave this line and Field B62, Utility Reimbursement, blank.

HANDBOOK (Exhibit 3-13, p 3.98): Section 236 Without Additional Assistance – Special Instructions for Determining Prorated Assistance Payment and Prorated Total Tenant Payment/Tenant Rent for Families Subject to Proration Procedures Regarding the Restriction on Assistance to Noncitizens

Special Instructions for Determining
Prorated Assistance Payment and
Prorated Total Tenant Payment/Tenant Rent

Section 236 Tenants Who are Paying
Between Basic and Market Rent
(WITHOUT the benefit of additional assistance)

NOTE: If the tenant receives assistance under Section 8, Rent Supplement, or Rental Assistance Payment and this is a Section 236 project, use Exhibit 3-15.

(A) Calculate the difference between market rent and tenant rent without prorations.

(1) _____ Enter the Market Rent from Field B44, Market Rent, of the 50059 data requirements.

(2) _____ Determine the Tenant Rent in accordance with the instructions for Field B61, Tenant Rent, of the 50059 data requirements.

(3) _____ Subtract line 2 (Tenant Rent), from line 1 (Market Rent) and enter the result here. This is the difference between the Market Rent and the Tenant Rent, before considering prorations.

(B) Calculate the prorated difference between the market rent and the tenant rent.

(4) _____ Enter the number of people in the family who are Ineligible Persons; i.e. persons who do not meet the definition of a citizen or eligible noncitizen. See the Glossary for the definition of these terms.

(5) _____ Enter the fraction that represents the number of Ineligible Persons (numerator) and the number of persons in the family (denominator).

EXAMPLE: There are five persons in the family, of which two are ineligible. The fraction for this family would be 2/5.

(6) _____ Multiply the amount in line 3, the difference between the Market Rent and the Tenant Rent before prorations, by the fraction determined in line 5. Enter this amount in Line 6. This represents the prorated difference between the Market Rent and the Tenant Rent.

(C) Calculate the prorated tenant rent.

(7) _____ Add the following amounts and enter the result in line 7: add line 2 (Tenant Rent before prorations) and line 6 (prorated difference between the Market Rent and the Tenant Rent). The result is the Prorated Tenant Rent. Enter the amount in line 7 in Field B61, Tenant Rent.

HANDBOOK (Exhibit 3-14, pp 3.99-3.100): Section 236 With Benefit of Additional Assistance – Special Instructions for Determining Prorated Assistance Payment and Prorated Total Tenant Payment/Tenant Rent for Families Subject to Proration Procedures Regarding the Restriction on Assistance to Noncitizens

Special Instructions for Determining
Prorated Assistance Payment and
Prorated Total Tenant Payment/Tenant Rent

Section 236 Tenants Who are Paying

Between Basic and Market Rent
(WITH the benefit of additional assistance)

(A) Calculate the difference between market rent and the contract rent/basic rent for the unit (without prorations).

(1) _____ Enter the Market Rent from Field B44, Market Rent, of the 50059 data requirements.

(2) _____ Enter the Contract/Basic Rent from Field B53, Contract Rent Amount, of the 50059 data requirements.

(3) _____ Subtract line 2, Contract/Basic Rent, from line 1, Market Rent, and enter the difference here.

(B) Calculate the prorated difference between the market rent and the contract/basic rent.

(4) _____ Enter the number of people in the family who are Ineligible Persons; i.e. persons who do not meet the definition of a citizen or eligible noncitizen. See the Glossary for the definition of these terms.

(5) _____ Enter the fraction that represents the number of Ineligible Persons (numerator) and the number of persons in the family (denominator).

EXAMPLE: There are five persons in the family, of which two are ineligible. The fraction for this family would be $2/5$.

(6) _____ Calculate the prorated difference between the Market Rent and the Contract/Basic Rent. Multiply line 3 difference between the Contract/Basic Rent and the Market Rent by the fraction determined in line 5. Enter the amount in line 6.

(C) Calculate the assistance adjustment for Rent Supplement, RAP, or Section 8 assistance the tenant would otherwise receive.

(7) _____ Enter the Gross Rent. Follow the instructions in Field B55, Gross Rent (not Market Rent), of the 50059 data requirements.

(8) _____ Determine the Total Tenant Payment (TTP). Follow the instructions in Field B60, Total Tenant Payment, of the 50059 data requirements. This is the TTP the family would pay without prorations.

(9) _____ Subtract the TTP entered in line 2 from the Gross Rent entered in line 1. Enter the difference here. (This is the Assistance Payment for this family if they were not subject to the proration requirements. Follow the instructions in Field B63, Assistance Payment Amount, in completing this item.)

(10) _____ Multiply the amount in line 9 (the Assistance Payment for this family if they were not subject to the proration procedures) by the fraction

determined in line 5. Enter the product here. This is the Assistance Adjustment for this family.

(D) Calculate the prorated TTP.

(11) _____ Add the following amounts: line 6 + line 9 + line 10. Enter the sum in line 11. You are adding the following amounts: the prorated difference between the Market Rent, the TTP the family would pay without prorations, and the Assistance Adjustment the family would otherwise receive.

(E) Calculate the prorated assistance payment.

(12) _____ Enter the Gross Rent for this unit from Field B55, Gross Rent (not Market Rent), of the 50059 data requirements.

(13) _____ Subtract line 11 from line 12 (Gross Rent minus Prorated TTP). This is the Prorated Assistance Payment.

(F) Calculate the prorated tenant rent and any utility reimbursement.

(14) _____ Enter the Utility Allowance from Field B54, Utility Allowance Amount of the 50059 data requirements.

(15) _____ Subtract the Utility Allowance in line 14 from the Prorated TTP in line 11, and enter the amount here and in Field B61, Tenant Rent, of the 50059 data requirements. Follow the instructions in Field B61, Tenant Rent. This is the Prorated Tenant Rent.

If you entered zero in line 15 (and in Field B61, Tenant Rent, of the 50059 data requirements), complete Item 16.

(16) _____ If the Utility Allowance in line 14 is greater than the Prorated TTP in line 11, enter the difference here and in Field B62, Utility Reimbursement, of the 50059 Data Requirements. Otherwise leave this line and Field B62, Utility Reimbursement, blank.

TRACS

For Section 236

TRACS requires a market rent if the household receives a prorated assistance under the Non-Citizen Rule and either its primary subsidy type is a straight Section 236 or a Section 8/Rent Supp/RAP with a Section 236 secondary subsidy.

TRACS prorates assistance if the household includes members who are non-citizens by: a) converting the ineligible/total ratio to a fraction, b) calculating the difference between current tenant rent and market rent, c) multiplying the difference by the fraction, and d) adding the prorated amount to the current tenant rent to generate the prorated tenant rent.

For Section 8, Rent Supp, RAP (No Secondary Subsidy)

- TRACS prorates assistance by:
Converting eligible/total count to a fraction.
 - Calculating the difference as market rent minus contract rent.
 - Calculating prorated differences as difference times fraction.
 - Calculating assistance adjustment as assistance adjustment times fraction.
- Setting prorated assistance payment to:
 - If the utility allowance is greater than the prorated TTP, the household is due a utility reimbursement. The prorated tenant rent will be zero.
 - If the utility allowance is not greater than the prorated TTP, TRACS sets the prorated tenant rent to the prorated TTP – utility allowance. The utility reimbursement is zero.

For Section 8, Rent Supp, RAP (With Secondary Subsidy)

- TRACS prorates assistance by:
 - Converting eligible/total count to a fraction.
 - Calculating the difference as market rent minus contract rent.
 - Calculating prorated differences as difference times fraction.
 - Calculating assistance adjustment as assistance adjustment times fraction.
 - Setting prorated assistance payment to current tenant rent + prorated difference + assistance adjustment.
- TRACS prorates TTP as gross rent – prorated assistance payment.
- If the utility allowance is greater than the prorated TTP, the household is due a utility reimbursement. The prorated tenant rent will be zero.
- If the utility allowance is not greater than the prorated TTP, TRACS sets the prorated tenant rent to the prorated TTP – utility allowance. The utility reimbursement is zero.

Recommendations

Legislative Policy TRACS: Clarification is needed as to exactly which, if any, absent members should be counted as family for the purpose of these calculations.

Chapter 7: Income & Calculating Rent (RNT)
RNT-005.12: n1234nnnn: Prorated Rents under the Noncitizen Rule

Chapter 8. Leasing (LSE)

Scope of Analysis

This section covers Chapter 6 (Lease Requirements and Leasing Activities). Also included is supporting Appendix 4.

Rule # LSE-001.00: n12345789: Provisions of Model Lease

Handbook

HANDBOOK (6-4.E, p 6.4): If any provision of a model lease conflicts with state or local law, the owner must follow the rule that is of most benefit to the tenant.

COMMENT: Clarification needed: 6-5.C.3 says that HUD will not permit modifications to 9 specific provisions of the model lease. What if state or local law differs with one of these provisions? What is to be done if a judge issues a ruling in conflict with the handbook or one of the required lease provisions?

TRACS

TRACS does not address this rule.

Recommendations

N/a

Rule # LSE-002.00: n12345789: Unit Transfers

Handbook

HANDBOOK (6-5.B.2, p 6.6): The head of household, spouse, any individual listed as co-head, and all adult members of the household must sign the lease.

COMMENT: Clarification needed: Should the new lease retain the ending date from the old lease in cases where the subsidy/contract remains the same? What about the start date?

TRACS

TRACS does not address this rule.

Recommendations

N/a

Rule # LSE-003.00: n12345789: Lease Term

Handbook

HANDBOOK (6-6, p 6.10): Lease Term

(A) Introduction

Owners and tenants should recognize that lease terms and requirements vary across the different housing programs. An initial lease term is required when leasing the unit, but depending on the housing program, it can range from one month to multiple years.

Owners are required to notify tenants if the property has a HAP contract expiring within the next 12 months. Specific information relating to an expiring HAP contract and the required notification to the tenants can be found in HUD's Section 8 Renewal Policy Guidebook.

(B) Initial Term

The requirements regarding the initial lease term are listed for each program in Figure 6-3. Owners of properties with Section 8 contracts should be aware of the expiration date of the HAP contract in relationship to the lease term listed on the lease. In such instances where the HAP contract is less than one year, the owner should execute a lease with a lease term equal to the remaining term on the HAP contract.

(C) Renewal Terms

The requirements regarding the renewal lease term are listed for each program in Figure 6-3.

Figure 6-3: [from Handbook] Initial and Renewal Lease Terms for HUD Subsidized Programs

Program	Initial Term	Renewal Term
Section 236 Interest Reduction Assistance	Minimum: One month Maximum: One year	Minimum: One month Maximum: One year
Section 221(d)(3) BMIR	Minimum: One month Maximum: One year	Minimum: One month Maximum: One year
Properties with RAP	Minimum: One month Maximum: One year	Minimum: One month Maximum: One year
Properties with Rent Supplement	Minimum: One month Maximum: One year	Minimum: One month Maximum: One year
Section 8 LMSA with HUD-insured or HUD-held mortgages [24 CFR 886.127]	Minimum: The lesser of one year, or the remaining term of the HAP contract	Minimum: The lesser of one year, or the remaining term of the HAP contract
Section 8 – PDSA [24 CFR 886.327]	Minimum: The lesser of one year, or the remaining term of the HAP contract	Minimum: The lesser of one year, or the remaining term of the HAP contract
Section 8 – New Construction [24 CFR 880.606]	Minimum: One year*	Minimum: 30 days
Section 8 – Substantial Rehabilitation [24 CFR 881.601]	Minimum: One year*	Minimum: 30 days
Section 8 – State Agency [24 CFR 883.701]	Minimum: One year*	Minimum: 30 days
RHS 515 with Section 8 [24 CFR 884.215]	Minimum: One year*	Minimum: 30 days
Section 202 with Section 8 [24 CFR 891.625]	Minimum: One year*	The lease will automatically be renewed for successive one-month terms.
Section 202 with PAC [24 CFR 891.765]	Minimum: One year	The lease will automatically be renewed for successive one-month terms.
Section 202 with PRAC [24 CFR 891.425]	Minimum: One year	The lease will automatically be renewed for successive one-month terms.
Section 811 with PRAC [24 CFR 891.425]	Minimum: One year	The lease will automatically be renewed for successive one-month terms.

* **NOTE:** Minimum term may be less than one year if the Section 8 HAP contract will expire in less than 12 months from the effective date of the lease. Owners with these properties need to be aware of the expiration of the HAP contract in relation to lease expirations.

COMMENT: Clarification needed: There are three interpretations of the ending date for a one-year lease in the industry. Assume a move-in on January 15. Some believe that the end date should be December 31 to end the day before the annual recertification date. Some believe that the end date should be January 14—exactly one year. Some believe that the end date should be January 31 so that the lease does not end mid-month. Would January 14 satisfy both sets of regs (Maximum of One Year and Minimum of One Year)? Are any of these interpretations incorrect when applied to all subsidy types?

TRACS

TRACS does not collect information about lease starting and ending dates.

Recommendations

N/a

Rule # LSE-004.00: 012345789: Extended absence or abandonment

Handbook

HANDBOOK (6-9.B.2.b.(2), p 6.17): Guidelines for abandonment of a unit. If abandonment of a rental unit is not addressed by state or local law, owners may establish a rule for declaring a unit abandoned. Rules regarding abandonment must be consistent with state and local law regarding nonpayment of rent, specify the actions that the owner will take to contact the tenant, and describe the handling and disposition of any tenant possessions left in the unit.

COMMENT: Clarification needed: Would subsidy be paid until the date of the move-out or should a termination of assistance happen sooner? If a termination, what termination code would be used? Is a new one needed?

TRACS

TRACS does not address this rule.

Recommendations

Legislative Policy TRACS: HUD should establish the rules – not the Owners. HUD cannot consistently enforce rules that are established by the owners.

Rule # LSE-005.00: n12345789: Termination for a Pet Rule Violation

Handbook

HANDBOOK (6-10.E.5, p 6.22): Initiation of procedures to terminate a pet owner's tenancy.

(a) The owner must not initiate procedures to terminate a pet owner's tenancy based on a pet rule violation, unless:

(1) The pet owner has failed to remove the pet or correct a pet rule violation within the applicable time period; and

(2) The pet rule violation is sufficient to begin procedures to terminate the pet owner's tenancy under the terms of the lease and applicable regulations.

COMMENT: Clarification needed: There is no termination code associated with this situation. Either a new code should be developed or guidance given on which of the existing codes to use.

TRACS

TRACS does not support this rule as a justification for termination.

Recommendations

Legislative Policy TRACS: Add a termination code to TRACS identifying terminations due to failure to remove a pet or correct a pet rule violation within the applicable time. (What is the "applicable time"?)

Rule # LSE-006.00: n12345789: Amending the Lease for Rent Changes

Handbook

HANDBOOK (6-11.B, pp 6.22-6.23): Key Requirements

(1) Any increase in rent must be governed by HUD regulations and requirements currently in effect.

(2) HUD does not require an addendum for a change in the tenant's rent.

NOTE: The printout of the 50059 data requirements (the 50059 facsimile) serves as an addendum identifying the change in rent.

(3) If the tenant rent increases for any reason other than a tenant's failure to comply with recertification requirements, the owner must give the tenant 30 days advance written notice of the increase. The notice must state:

(a) The reason for the increase; and

(b) That it revises the rent at the following paragraph(s):

(1) Paragraph 3 of the Model Lease for Subsidized Programs;

(2) Paragraphs 2 and 5 of the Model Lease for Section 202/8 and Section 202 PACs; and

(3) Paragraphs 2 and 4 of the Model Leases for Section 202 PRACs and Section 811 PRACs.

(4) If the contract rent or assistance payment changes but the tenant rent and utility allowance remain the same, the owner need only provide the tenant with a copy of the revised 50059 facsimile.

TRACS

TRACS accepts and processes Rent Changes for all subsidy contracts.

Recommendations

Legislative Policy TRACS: Provide guidance, in the MAT guide, for how to process a gross rent change and the transactions needed to communicate to TRACS.

Rule # LSE-007.00: n12345789: Security Deposits

Handbook

HANDBOOK (6-14, pp 6.26-6.28): Applicability

(A) Unless otherwise indicated, all of the applicable properties identified in Figure 1-1 are subject to the information presented in this section.

(B) If the security deposit now held by the owner met the HUD rules in effect at the time the deposit was collected:

(1) An owner need not adjust the amount of the deposit to comply with current rules; and

(2) The HUD Field Office may not reduce the Section 8 special claims because the deposit does not meet the current rules.

Collection of the Security Deposit

(A) It is recommended the owner collect a security deposit at the time of the initial lease execution.

(B) Security deposits provide owners with some financial protection when a tenant moves out of the unit and fails to fulfill his/her obligations under the lease. Additionally, many programs require that owners place security deposits in interest-bearing accounts and allocate the interest to the tenant. This requirement varies by programs and depends to a certain extent on state and local laws.

(C) The owner must collect a security deposit at the time of the initial lease execution for the following properties:

(1) Section 8 New Construction with an AHAP executed on or after November 5, 1979;

(2) Section 8 Substantial Rehabilitation with an AHAP executed on or after February 20, 1980;

(3) Section 8 State Agency with an AHAP executed on or after February 29, 1980;

(4) Section 202/8;

(5) Section 202 PAC;

(6) Section 202 PRAC; and

(7) Section 811 PRAC.

(D) The amount of the security deposit established at move-in does not change when a tenant's rent changes.

(E) The amount of the security deposit to be collected is dependent upon:

(1) The type of housing program;

(2) The date the AHAP or HAP contract for the unit was signed; and

(3) The amount of the total tenant payment or tenant rent.

Figure 6-6 outlines the amount of the security deposit the owner may collect for each of the different programs.

(F) The owner must comply with any applicable state and local laws governing the security deposit.

(G) The tenant is expected to pay the security deposit from his/her own resources, and/or other public or private sources.

(H) The owner may collect the security deposit on an installment basis.

REMINDER: If the entire security deposit is not paid before a tenant moves out, the unit is not eligible for special claims payments. (Paragraph 9-14 discusses special claims payments.)

COMMENT: Clarification needed: When a deposit is collected in installments, should the move-in or initial certification show the entire deposit due or only the amount paid?

Legislative Policy TRACS: Recommendation: Allow the entire deposit to be listed. It would be a burden to have to transmit a corrected move-in or initial certification each time an installment payment is made. Compliance can be enforced through management and occupancy reviews?

HANDBOOK (6-15.I, p 6.28): The security deposit is refundable. (See paragraph 6-18 for more information on refunding a security deposit.)

(J) An applicant may be rejected if he/she does not have sufficient funds to pay the deposit.

6-16 Security Deposits for Tenants Transferring to Another Unit

(A) When a tenant transfers to a new unit, an owner may:

(1) Transfer the security deposit; or

(2) Charge a new deposit and refund the deposit for the old unit.

(B) If the deposit for the old unit is refunded, the owner must:

- (1) Follow the requirements listed in paragraph 6-18 regarding the refunding and use of the security deposit; and
- (2) Establish a security deposit for the new unit based on the requirements listed in paragraph 6-15 regarding the collection of a security deposit.

Figure 6-6: [from Handbook] Amount of Security Deposit to Collect from Tenant

Chapter 8: Leasing (LSE)
Rule # LSE-007.00: n12345789: Security Deposits

Program	Amount to Collect
Section 8 New Construction with AHAP executed <u>before</u> November 5, 1979	One month's total tenant payment
Section 8 Substantial Rehabilitation with AHAP executed <u>before</u> February 20, 1980	One month's total tenant payment
Section 8 State Agency with AHAP executed <u>before</u> February 29, 1980	One month's total tenant payment
Section 8 New Construction with AHAP executed <u>on or after</u> November 5, 1979 [24 CFR 880.608]	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 8 Substantial Rehabilitation with AHAP executed <u>on or after</u> February 20, 1980 [24 CFR 881.601]	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 8 State Agency with AHAP executed <u>on or after</u> February 29, 1980 [24 CFR 883.701]	The greater of: 1) One month's total tenant payment, or 2) \$50
RHS 515 with Section 8 [24 CFR 884.115]	Equal to one month's total tenant payment
Section 8 LMSA with HUD-insured or HUD-held mortgages [24 CFR 886.116]	An amount up to, but no greater than, one month's total tenant payment
Section 8 provided with the sale of a HUD-owned property (Property Disposition) [24 CFR 886.315]	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 202/8 or Section 202 PAC [24 CFR 891.435]	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 202 PRAC [24 CFR 891.435]	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 811 PRAC [24 CFR 891.435]	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 236	One month's tenant rent
Section 236 with RAP	The greater of: 1) One month's total tenant payment, or 2) \$50
Section 221(d)(3) BMIR	One month's tenant rent
Rent Supplement	The greater of: 1) One month's total tenant payment, or 2) \$50

TRACS

Although TRACS stores whatever security deposit is submitted, it is edited and discrepancy messages are generated if the security deposit amount violates the edit rules: The edit rules for security deposits in TRACS are:

For Section 8, Rent Supplement, RAP, 202/162 PAC, and 202 & 811 PRAC contracts, the security deposit is set to the greater of \$50.00 or the calculated TTP.

For Section 236 and BMIR projects, the security deposit is set to the TTP.

Note: The TRACS security deposit edit is not consistent with Figure 6-6 in 4350.3 REV-1. First, TRACS doesn't differentiate among the various Section 8 programs; although, the amount of security deposit collected does vary by program. Some Section 8 programs collect one month's TTP without the \$50.00 test. Second, Section 236 and BMIR security deposits are one month's TR – not TTP.

Recommendations

Legislative Policy TRACS: The regulations regarding security deposits are very complex. Regulatory simplification would be desirable.

Legislative Policy TRACS: TRACS needs to differentiate between Section 8 programs. This can be done either by extracting the data from TRACS Contract or by adding additional coding the MAT certification format.

Chapter 8: Leasing (LSE)
Rule # LSE-007.00: n12345789: Security Deposits