U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Special Attention: Directors, Offices of Public Housing; Administrators, Offices of Native American Programs; Directors, Offices of Housing; and Section 8 Public Housing Agencies	Notice PIH 98-19 (HA) Issued: April 3, 1998 Expires: April 30, 1999 Cross References:

Subject: Tenant-Based Rental Vouchers or Certificates for Eligible Residents of Preservation Eligible Projects Approved for Prepayment of the Mortgage or Voluntary Termination of the Mortgage Insurance in Federal FY 1998

1. Purpose. This notice alerts public housing agencies (HAs) that the Department of Housing and Urban Development (HUD) will provide funds for Section 8 tenant-based assistance to assist certain residents of preservation eligible projects where the owner elects to prepay the mortgage or is approved for voluntary termination of a mortgage insurance contract in Fiscal Year 1998. The notice also provides information on the unique statutory requirements governing these special preservation rental vouchers and certificates.

   This notice covers projects where the owner prepays or voluntarily terminates the mortgage insurance contract on eligible low-income housing in FY 1998. Except for section 11, this notice does not apply to prepayments or voluntary terminations that occurred in FY 1996 or FY 1997 and does not supersede HUD Notice PIH 96-61 or HUD Notice PIH 97-29. The policies and procedures outlined by those notices remain in effect for projects that prepaid or voluntarily terminated the mortgage insurance in FY 1996 or FY 1997.

2. Background. The Department of Housing and Urban Development's FY 1998 Appropriations Act (Public Law 105-65, enacted on October 27, 1997) makes funding available for "enhanced" vouchers as provided under the 'Preserving Existing Housing Investment' account in the Department's FY 1997 Appropriations Act. This means that subject to the availability of appropriated funds, certain families residing in an eligible preservation project on the date of the owner's prepayment or voluntary termination will be offered tenant-based assistance under Section 8 if, as the result of a rent increase no later than one year after the date of the owner's prepayment or voluntary

termination, the family's rent exceeds 30 percent of adjusted income. The law establishes special requirements concerning the minimum amount of the family's contribution towards rent. The law also provides a special voucher payment standard or certificate Fair Market Rent (FMR) for families that choose to stay in their current units.

Tenant-based assistance will be offered to eligible residents of projects covered by the Emergency Low-Income Housing Preservation Act of 1987 (ELIHPA) and the Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA). HUD's Office of Housing will identify eligible projects for assistance under these provisions. To be considered an eligible project, the project must have reached its 20th year from final endorsement and meet one of the following criteria:

(a) Section 221(d)(3) market rate limited distribution owners receiving Section 8 payments coverted from Rent Supplement whose project number series is 35001-36599;

(b) all Section 221(d)(3) below market interest rate owners whose project number series are 55001-55999 and 57501-57999, unless a Rent Supplement Contract remains in effect between HUD and the mortgagor;

(c) all Section 236 project owners whose project number series are 44001-44799; 44801-44899; 45001-45999; and 58501-58999, unless a Rent Supplement Contract remains in effect between HUD and the mortgagor;

(d) a purchase money mortgage formerly insured under Section 221(d)(3) or 236 and now held by HUD; or

(e) a mortgage held by a state agency as a result of a sale by HUD without insurance, which immediately before the sale would have been eligible low-income housing under LIHPRHA; which mortgage (1) for LIHPRHA projects is, or is within 2 years of being, eligible for prepayment by contract or regulation in effect before February 5, 1988 without HUD's prior approval; or (2) for ELIHPA projects is, or is within 1 year of being, eligible for prepayment under regulation or contract in effect before February 5, 1988.

3. <u>HUD State and Area Offices will Contact HAs.</u> HUD's Office of Public and Indian Housing and the Office of Housing will issue guidance covering the specific procedures for the processing of the Section 8

preservation tenant-based assistance in the near future. In the interim, HAs and HUD field offices should continue to follow the procedures in Preservation Letter 97-4.

The HUD State or Area Office of Public Housing will contact an appropriate HA with jurisdiction in the area where each eligible project is located to determine if the HA is willing to administer the tenant-based voucher or certificate assistance for the eligible families living in each affected development. The HUD State or Area Office decides which HA is the appropriate agency to administer the tenant-based rental assistance.

4. Family Eligibility for the Special Rental Vouchers or Certificates.

(A) Income Eligibility. In order to be eligible for one of the special rental vouchers or certificates, the resident must be either:

(1) a low-income family (including very low-income families);

(2) a moderate-income elderly or disabled family; or

(3) a moderate-income family residing in a low-vacancy area (3 percent or less vacancy rate). HUD is responsible for determining whether the project where the owner is prepaying or voluntarily terminating the mortgage insurance is located in a low-vacancy area.

A low-income family is a family whose annual income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

A moderate-income family is a family whose annual income is above 80 percent but does not exceed 95 percent of the area median income.

A resident family is only eligible for one of the special certificates and vouchers made available due to the owner's prepayment or voluntary termination if the family qualifies under one of the categories above on the effective date of the prepayment or voluntary termination. A resident family that does not fall into one of those categories on the effective date of the prepayment or voluntary termination is not eligible for one of these special preservation certificates and vouchers, regardless of whether the family's situation changes during the following year.

(B) Unassisted and Assisted Families. Both unassisted and assisted families may be eligible for the special certificate and voucher assistance made available for prepayments or voluntary terminations that occur in FY 1998.

(1) Families with Section 8 tenant-based certificate and voucher assistance at the time of prepayment or voluntary termination. A Section 8 certificate or voucher participant who is residing in the project at the time of the prepayment may be covered by the special provisions of the preservation certificates and vouchers if the family chooses to remain in the unit. The applicability of the special conditions for residents who are already assisted under the Section 8 tenant-based programs at the date of the prepayment or voluntary termination are discussed in section 9 of this notice.

(2) Families assisted under a Section 8 LMSA contract. Any family receiving LMSA assistance will continue to receive this assistance until the LMSA contract expires. Subject to the availability of appropriated funds and provided the owner gave the six month opt-out notice, the family may receive a special preservation rental voucher if the owner prepays in FY 1998 and the LMSA contract expires no later than one year after the date of the prepayment/voluntary termination.

If the owner prepaid in FY 1998 and the LMSA contract does not expire within one year of the date of the prepayment, the family is not eligible for a special certificate or voucher. Upon expiration of the LMSA contract, the family will receive a regular voucher or certificate and the special provisions regarding the FMR/payment standard and the minimum rent will not apply.

5. HUD identifies potentially eligible families. Upon owner notification of intent to prepay the mortgage or terminate the insurance, and confirmation from the appropriate HA that it will administer the Section 8 assistance, the HUD State or Area Office of Housing is responsible for ensuring that each potentially eligible

family in the affected project receives a letter identifying the administering HA and describing the circumstances under which the family may qualify for one of these special rental vouchers or certificates. The letter will provide information to the family about contacting the HA. If the owner has not yet notified the family of a rent increase, the potentially eligible family will be directed to also contact the HA once the owner notifies the family of a rent increase effective within one year from the effective date of the prepayment/voluntary termination.

The HUD State or Area Office will promptly send the administering HA a list identifying all potentially eligible families, a copy of the most recent HUD Form 50059 for each of the families, and the rents for the eligible project on the date of the prepayment or voluntary termination. If possible, the HUD State or Area Office will also send the owner's proposed new rents and the effective date of the rent increase for each family to the HA. However, the family is ultimately responsible for contacting the administering HA when the owner informs the family of the proposed rent increase.

The HA must determine if the family meets the definition of a low-income family, a moderate income elderly or disabled family, or a moderate income family in a low vacancy area (provided HUD has informed the administering HA that the low vacancy area category is applicable due to the location of the project) on the effective date of the prepayment.

The HA may deny an applicant a preservation voucher or certificate under any of the grounds listed for denial of rental assistance at §982.552. The HA must provide an applicant that is denied assistance under those grounds with an opportunity for an informal review as required by §982.554. In accordance with the program regulations at §982.201(e), the HA must receive information verifying that an applicant is eligible within the period of 60 days before the HA issues a certificate or voucher to the applicant.

6. Rent Increase Effective No Later Than One Year After the Date of Prepayment or Voluntary Termination that Results in Family Paying More than 30 Percent of Adjusted Income for Rent. An owner may not increase the rent for at least sixty days after the effective date of the prepayment/voluntary termination. In addition, the prepayment of the mortgage or the approval of the voluntary termination of a mortgage insurance contract

or a preservation eligible project does not in itself terminate or modify the terms and conditions of the existing leases between the owner and the current residents of the project. An owner may only legally increase the rent or terminate the lease as provided under the terms of the lease and in accordance with state and local law.

Regardless of whether the family has met the income eligibility requirements described in section 4 of this notice, the family may only receive a preservation rental voucher or certificate if:

(a) The family lived in the project on the effective date of the prepayment,

(b) A rent increase will take effect no later than one year after the effective date of the prepayment or voluntary termination, and

(c) The amount the family pays for gross rent would exceed 30 percent of the family's adjusted monthly income as a result of the owner's rent increase.

A family already paying more than 30 percent of adjusted monthly income for gross rent on the effective date of the prepayment or termination may still qualify for the preservation certificate or voucher. Provided the owner proposes to increase the rent in the year following the prepayment or termination and the new rent paid by the family exceeds 30 percent of the family's adjusted monthly income, the family is eligible for preservation tenant-based assistance.

To qualify for issuance of special preservation tenant-based assistance, the rent increase must be effective no later than one year after the effective date of the prepayment or voluntary termination. A family does not qualify for preservation tenant-based assistance on the basis of a rent increase that becomes effective after the one year anniversary date of the prepayment or voluntary termination.

Gross rent is the sum of the rent payable to the owner and any utility allowance. (If the proposed contract rent does not include all the utilities, the utility allowance schedule of the administering HA is used to calculate the new gross rent of the unit.) The family must present documentation confirming that the owner intends to increase the rent, and the amount the family must pay for rent after the increase (e.g., the owner's rent increase notice or a letter from the owner indicating the owner intends to increase the rent, the amount of the rent demanded by the owner, and the effective date of the rent increase).

When the family contacts the administering HA, the HA must determine if the family would be paying more than 30 percent of adjusted monthly income for gross rent after the owner's rent increase takes effect. If the family would not have to pay more than 30 percent of adjusted monthly income for gross rent after the rent increase, the family is <u>not</u> eligible to receive the preservation rental voucher or certificate assistance, regardless of whether they met the income requirement.

7. <u>Issuance of Certificate or Voucher.</u> (This section does not apply to residents currently assisted under the regular certificate or voucher program at the time of the prepayment/voluntary termination.) <u>In general, eligible families will receive preservation voucher assistance as the result of a prepayment or voluntary termination in FY 1998</u>.

   The HA issues the preservation voucher or certificate to the eligible family. The HA should make every effort to issue a family that wishes to move the voucher or certificate 60 days prior to the effective date of the owner's rent increase. However, it is recognized that in many cases this will not be possible.

   If an eligible family chooses to stay in the family's present unit, the HA may not enter into a HAP contract that commences prior to the effective date of the owner's rent increase.

8. <u>Special Conditions of Preservation Tenant-based Assistance</u>.

   There are several special requirements for the preservation certificates and vouchers. In all other respects the certificates and vouchers are subject to normal program rules. For example, the HA may not make payments to the owner until after execution of the housing assistance payments (HAP) contract, and the HAP contract may not be effective prior to the date the HA determines that the unit meets the housing quality standards of the program.

(A) Payment Standard/FMR Where the Family Chooses to Stay in the Same Unit.

(1) Staying in same unit: Voucher program.

For a family staying in the same unit who receives preservation assistance under the voucher program, the payment standard used to calculate the voucher housing assistance payment is the gross rent of the family's unit, provided the proposed gross rent is reasonable and exceeds the applicable HA payment standard. (Note, however, the effect of the family unit size limitation discussed below.) If the new gross rent is less than the HA payment standard, the regular payment standard applies.

(2) Staying in same unit: Certificate program.

For a family staying in the same unit who receives preservation assistance under the certificate program, the HA generally approves the proposed gross rent if the proposed gross rent (rent to owner plus any utility allowance) of the unit is reasonable in comparison with gross rents for comparable unassisted units in the market area, even if the proposed gross rent exceeds the otherwise applicable FMR/exception rent limit for the unit rented by the family. This means that the proposed rent may even exceed 120% of the FMR provided the rent is reasonable. (Note, however, the effect of the family unit size limitation discussed below.)

(3) Rent reasonableness documentation. Regardless of whether a family wishing to stay in its present unit receives a preservation voucher or certificate, the HA must ensure that the proposed rent of the family's unit is reasonable. The HA must document the rent reasonableness of the unit by including the rents and addresses of the comparable units in the family file. If the proposed rent is not reasonable, the family must move in order to receive the preservation voucher or certificate assistance.

(4) Effect of family unit size limitation.

The HA issues the eligible family the certificate or voucher based on the HA subsidy standards, not on the actual size of the unit the family is presently occupying. If a family wishes to stay in the project but (1) qualifies under the HA subsidy standards for a smaller family unit size than the actual size of their current unit and (2) the gross rent exceeds the applicable FMR or HA payment standard for the bedroom size on the family certificate or voucher, the family must move to an available unit within the project that is the appropriate size as determined by the HA subsidy standards. In such a case, the new gross rent for the smaller size unit in the project is considered to be the applicable FMR or payment standard, provided the new gross rent exceeds the applicable HA payment standard. (In this case only, the preservation minimum rent discussed below is the rent the family would have been paying on the date of the prepayment/voluntary termination for the smaller size unit in the project to which the family moves.)

If there is no appropriate size unit available in the project, the family must then make a good faith attempt to find a unit outside of the project. In order to determine whether the family has made a good faith effort, the HA may require the family to submit a list of potential units the family visited. The HA should also take its knowledge of the market area into consideration, as well as the number of referrals to potential appropriate sized units it may have provided to the family over the course of the family's search.

If the family has not located an eligible unit at the end of the term of the certificate or voucher (including any extension granted by the HA in accordance with its administrative policy) despite making a good faith effort, the HA should execute a housing assistance contract for the family's current unit, provided the unit complies with housing quality standards and the proposed rent is determined to be reasonable. The effective date of the housing assistance contract for the oversized unit may not be earlier than the expiration date of the term of the family certificate or voucher. The family is responsible for the full rent of the unit prior to the effective date of the housing assistance contract.

The FMR or payment standard is the gross rent of the oversized unit. The HA and the owner must execute the attached addendum to the housing assistance payments contract, which automatically terminates the contract after one year. The HA must advise the family that the subsidy based on the oversized unit's rent will only be paid for one year. After the initial year of assistance, the HAP contract will terminate and the family will be assisted under the regular rental voucher or certificate rules (normal payment standard or FMR). If the family wishes to remain in the unit and can do so under the regular program rules, the family will have to pay the additional cost for the oversized unit out-of-pocket.

(5) Family Move: Normal PS or FMR Applicable.

In all cases where the family decides to move out of the project, the regular HA payment standard or the FMR/exception rent limit is applicable. This includes cases where the proposed new rent for the family's current unit in the preservation project is not reasonable in relation to comparable units, which requires the family to move in order to receive tenant-based assistance.

(B) Preservation Minimum Rent Requirement.

(1) Old gross rent for unassisted residents.

Regardless of whether a previously unassisted family stays or moves, the law requires that a family must pay for rent no less than the rent the family was paying on the date of the prepayment or the voluntary termination. The family must continue to pay this amount even if family income decreases after the effective date of the prepayment/voluntary termination or housing assistance contract execution.

Unassisted residents must pay at least the gross rent the family was paying on the date of the prepayment or voluntary termination. The HA utility allowance is used to calculate the gross rent if all utilities were not included in the rent the family paid to the owner.

(2) Old total tenant payment (TTP) or total family contribution for previously assisted residents.

Regardless of whether a resident previously assisted under the LMSA program stays or moves, the family must pay no less than the total tenant payment the family was paying on the date of the prepayment or the voluntary termination. The family must continue to pay this amount even if family income decreases after the prepayment/voluntary termination or housing assistance contract execution.

For residents assisted under the regular certificate or voucher programs at the time of the prepayment or voluntary termination, the "rent at prepayment" provision only applies if the family chooses to remain in its present unit and receive the "enhanced" subsidy. In those cases, the certificate family must always pay at least the total tenant payment and the voucher family must always pay at least the total family contribution they were paying on the date of the prepayment or voluntary termination.

(3) Calculating HAP -- Preservation Voucher Assistance.

Where the new gross rent exceeds the applicable payment standard, the housing assistance payment for a resident receiving preservation voucher assistance who stays in their present unit (or moves to an appropriate size unit within the project) will equal the new gross rent for the unit minus the greatest of:

(a) 30 percent of the adjusted family income;

(b) 10 percent of the family monthly income (gross monthly income);

(c) the applicable "rent" that the family was paying on the date of the prepayment or voluntary termination; or

(d) such other minimum rent established by the HA as authorized by Federal law.

If a resident assisted with a preservation voucher decides not to stay but moves from the unit (except in cases where a family is moving to an appropriate size unit within the project) or stays in the unit but the applicable HA payment standard exceeds the new gross rent, the housing assistance payment equals the lesser of:

(a) The HA payment standard minus 30 percent of the adjusted family income; or

(b) The gross rent of the family's unit minus the greatest of:

(1) 10 percent of the family monthly income (gross monthly income);

(2) the applicable "rent" the family was paying on the date of the prepayment or voluntary termination; or

(3) such other minimum rent established by the HA as authorized by Federal law.

(4) <u>Determining TTP -- Preservation Certificate Assistance</u>.

The total tenant payment for a resident receiving preservation certificate assistance, regardless of whether the family stays in the unit or moves, is the greatest of:

(a) 30 percent of family monthly adjusted income;

(b) 10 percent of family monthly income (gross monthly income);

(c) welfare rent in as-paid states;

(d) the applicable "rent" the family was paying on the date of prepayment or voluntary termination; or

(e) such other minimum rent established by the HA as authorized by Federal law.

Examples demonstrating how these special conditions affect the rent calculations for a previously unassisted certificate family and a previously unassisted voucher family are attached to this notice.

In calculating the housing assistance payment and the family share, the HA may find that some of the moderate income families who immediately move from the unit will not receive any housing subsidy due to the amount of the family's income. If the HA determines the initial housing assistance payment is $0, the HA does not enter into a housing assistance contract on behalf of that family. However, if within one year of the effective date of the owner's prepayment/voluntary termination the family income or composition changes, and as a result the family would qualify for a housing assistance payment, the HA may then execute a housing assistance contract for the family (assuming the family leases an eligible unit). Note that this situation only applies if the family initially qualified under the law for the special preservation assistance on the effective date of the prepayment (the owner's rent increase would have required the family to pay more than 30% of adjusted monthly income for rent). Furthermore, the family must still pay no less than the rent the family was paying on the effective date of the prepayment or voluntary termination, regardless of any decrease in family income.

9. Applicability of the Special Conditions for Stayers for Families Currently Assisted under the Section 8 Tenant-based Programs. As noted above, a resident who is currently assisted under the Section 8 tenant-based programs on the date of the prepayment or voluntary termination in FY 1998 may also be covered by the special conditions afforded to stayers through the preservation vouchers and certificates.

All of the following conditions must be met in order for a resident assisted through the regular certificate or voucher program on the effective date of the prepayment to be covered by the special preservation provisions:

(A) the family must meet one of the three income eligibility categories described in section 3 of this notice;

(B) the termination of the existing lease under the certificate program or the rent increase under the voucher program must be in accordance with the lease agreement and program regulations and may not be earlier than sixty days after the effective date of the prepayment/voluntary termination;

(C) the new lease under the certificate program or the rent increase under the voucher program must be effective no later than one year from the effective date of the prepayment/voluntary termination;

(D) the proposed new rent must be reasonable;

(E) the new rent would result in the family paying more than 30% of adjusted income for rent; and

(F) the family must decide to stay in the unit instead of moving.

If a currently assisted certificate or voucher family decides they do not want to stay in the unit after the owner's prepayment or voluntary termination but will move prior to the effective date of the new rent, the family is <u>not</u> covered by these special provisions. Unlike the unassisted residents or the project-based residents who receive special preservation certificates or vouchers, the minimum rent requirement (i.e., family must pay at least the amount of rent the family was paying on date of prepayment) does not apply if the regular certificate or voucher family moves rather than stays in the unit. However, if the family stays in the unit and receives the benefit of the additional "preservation" subsidy, the minimum rent requirement applies. It will continue to apply if the family subsequently moves from the unit.

An owner may only receive the special "preservation" subsidy for residents already receiving Section 8 tenant-based <u>certificate</u> assistance by terminating the existing lease and housing assistance payments contract. HAs are reminded that the HA may not give approval for a family to lease a unit and that the HA may not execute a HAP contract until certain requirements are met (see §982.305). These requirements apply regardless of whether the family already occupies the unit and apply even if the family has previously received assistance in the same unit. Therefore, the HA must inspect the unit to ensure it complies with HQS before the new lease term may commence. An HQS inspection that was conducted under the previous HAP contract does not fulfill this requirement.

Under the voucher program, an owner may increase the rent in accordance with the terms of the existing lease and local and state law. The owner is not required to terminate the existing lease and HAP contract to receive the special "preservation" subsidy.

Certificate Program. Assuming the above conditions are met, the HA must approve the rent under the new lease to allow the family to stay in the unit even if the new rent exceeds the Fair Market Rent. The minimum rent requirement described in section 8(C) above applies, which means the family's TTP will be at least the TTP the family was paying on the date of the prepayment/voluntary termination.

Voucher Program. Assuming the above conditions are met, the payment standard used to calculate the voucher housing assistance payment is the new gross rent of the family's unit. The minimum rent requirement described in section 8(C) above applies.

HUD amends the existing ACC. In cases where the special conditions apply to residents who were currently assisted under the tenant-based programs at the time of the prepayment or the voluntary termination, the HA should immediately contact the HUD State or Area Office of Public Housing. HUD will use funds appropriated for preservation assistance to amend the existing ACC with the HA to cover the additional cost of the subsidy. Note that no new "preservation" certificates or vouchers are provided to the HA to assist these certificate and voucher families.

10. Normal Program Requirements. Except for the special conditions outlined by this notice, the normal program requirements apply to the preservation rental vouchers and certificates. For example, the HA is responsible for conducting income verifications to ensure families are eligible for the assistance. The HA must conduct an initial and annual HQS inspections and must not make any housing assistance payment prior to the date that the unit passes HQS. The HA should clearly explain to the

family that the preservation certificate or voucher is tenant-based assistance and the family is under no obligation to remain in the project. The family has the same portability rights as any other family assisted under the certificate and voucher programs.

Preservation rental vouchers and certificates do not increase the administering HA's Family Self-Sufficiency (FSS) minimum size. HAs earn the same ongoing fee for these certificates and vouchers as they do under the regular program rules. Note that the HA no longer receives any preliminary fee for new certificates or vouchers if the HA is already administering a Section 8 tenant-based program.

If the preservation certificate or voucher turns over (i.e., a preservation assisted family leaves the program), the funding may be used for the HA's regular tenant-based program and will be subject to the normal program rules.

11. Applicability of the Special Conditions after the First Year of Assistance. For prepayments that occurred in FY96, PIH Notice 96-61 states that after the first year of assistance, the normal program rules apply. For prepayments that occurred in FY97 and that occur in FY98, the special conditions continue after the first year of assistance. In reality, the only distinction between FY96 families and the FY97/FY98 families concerns the continuation of the preservation minimum rent.

(A) "Preservation" minimum rent. Families who received preservation certificates or vouchers as a result of a prepayment or voluntary termination that occurred in FY 1996 are not covered by the preservation minimum rent after the first year of assistance. In determining the family's share of the rent or total tenant payment after the first year of assistance, the HA drops the preservation minimum rent from the calculation. The preservation minimum rent does not apply for the FY96 prepayment/voluntary termination families after the initial year of the housing assistance payments contract, regardless of whether the family stayed or moved from the unit.

The preservation minimum rent continues after the initial year of assistance for all families who received preservation tenant-based assistance as the result of prepayment/voluntary terminations that were effective in FY97 and in FY98. These families, whether they stayed or moved from the unit, must continue to pay at minimum the applicable "rent" the family was paying on the effective date of the prepayment/voluntary termination, even if the family income decreases after the initial year of assistance. This includes residents already assisted under the Section 8 certificate or voucher program on the date of the prepayment/voluntary termination whose subsidy was increased under the special conditions for preservation tenant-based assistance. The minimum rent remains applicable whether the family continues to reside in the unit or subsequently moves. If the family moves under the portability procedures, the HA must indicate to the receiving HA that the family is covered by the preservation minimum rent.

(B) Special FMR or Payment Standard. The law provides the special FMR and payment standard to cover the owner's rent increase after the prepayment/voluntary termination, which must be effective within one year of the date of the prepayment/voluntary termination. Regardless of the year of the prepayment/voluntary termination, the special FMR and payment standard rules do not apply to any subsequent rent increases.

In the case of the rental certificate program, any subsequent rent increase is restricted by the normal annual adjustment and rent reasonableness requirements of the program. If the owner's rent increase is higher than the rent adjustment allowed under the normal program rules, the family will have to move to continue to receive rental certificate assistance.

Under the rental voucher program, the payment standard is not adjusted to cover an owner's rent increase. The family must decide whether to move to a less expensive unit or pay for the increase in rent out of pocket. However, in accordance with §887.353, the family's payment standard is not decreased at the annual recertification unless there is a change in the family's size or composition that requires the HA to use the payment standard for the now appropriate bedroom size, or a change in the HA's occupancy standards results in the family qualifying for a smaller bedroom size voucher. Otherwise, the special payment standard set at the owner's initial rent increase after the prepayment/voluntary termination remains in effect for the family until the HA's regular payment standard for that bedroom size surpasses it or the family moves from the unit. The HA always applies the regular payment standard if the family subsequently moves from the unit.

12. Further Information. Any questions regarding this notice should be addressed to the Office of Real Estate and Housing Performance in the Office of Public and Assisted Housing Delivery, at (202) 708-0477.

Deborah Vincent
Acting Assistant Secretary for
Public and Indian Housing

Examples of Rent Calculations for Preservation Vouchers and Certificates for Stayers (Previously Unassisted Families)

Certificate Program

The Smith family is in a 2 bedroom unit and is issued a 2-bedroom certificate under the HA subsidy standards.

Contract Rent at Prepayment =	$370
Utility Allowance =	$50
Gross Rent paid by Family at Prepayment =	$420

2BR FMR/exception rent limit=	$525
Proposed Contract Rent =	$580
Utility Allowance =	$50
Proposed Gross Rent (is reasonable) =	$630
PHA minimum rent =	$25
30% of monthly adjusted income =	$290
10% of total monthly income=	$110

A. Rent Limitation

The owner's proposed new rent is reasonable and the Smith family wishes to stay in their current unit. Since the proposed gross rent is reasonable, the HA approves the rent, even though it exceeds the applicable FMR/exception rent limit.

B. Total Tenant Payment

TTP =	$420	Since the previously unassisted family must pay at least the gross rent it was paying on the date of prepayment, the TTP for the Smith family is $420, even though 30% of monthly adjusted income is only $290.

C. Rent Calculation

Contract Rent to Owner =	$580
Utility Allowance=	$50
Gross Rent (CR + UA)=	$630
TTP (greater of gross rent family was paying at prepayment, 30% adjusted monthly income, 10% gross monthly income, welfare rent in as-paid states, HA minimum rent) =	$420
Tenant Rent (TTP - UA) =	$370
HAP (CR - TR) =	$210

Voucher Program

The Jones family is in a 2 bedroom unit and is issued a 2 bedroom voucher under the HA subsidy standards. The Jones family will stay in its current unit.

Contract Rent at Prepayment =	$370	
Utility Allowance =	$50	
Gross Rent Paid by Family at Prepayment =	$420	
2BR Payment Standard =	$495	
Proposed Contract Rent =	$580	
Utility Allowance =	$50	
Proposed Gross Rent =	$630	(is reasonable)
30% of adjusted monthly income =	$290	
10% of gross monthly income =	$110	
HA minimum rent=	$25	

Payment Standard

The proposed gross rent must be reasonable.

Short-Cut Voucher Subsidy Calculation for Stayers.

a.	Proposed Gross Rent	=	$630
b.	minus greatest of 30% adjusted monthly income ($290); 10% gross monthly income ($110) or rent paid by family at prepayment ($420)	=	$420
c.	Housing Assistance Payment	=	$210

Voucher Subsidy Calculation (Long Form)

A.	Payment Standard =	$630
B.	30% of Adjusted Monthly Income =	$290
C.	Maximum Subsidy (A-B) =	$340
D.	HA Utility Allowance=	$50
E.	Rent to Owner=	$580
F.	Gross Rent (D+E)=	$630
G.	Gross Rent less Maximum Subsidy (F-C) =	$290
H.	10% of Total Monthly Income=	$110
I.	Gross Rent at Prepayment=	$420
J.	Minimum Family Contribution (higher of H or I)*	= $420
K.	Total Family Contribution (higher of G or J) =	$420
L.	Gross Rent less Family Contribution (F-K)=	$210
M.	Total Voucher Subsidy (lower of C or L) =	$210
N.	HAP to Owner (lower of E or M) =	$210
O.	Family Rent to Owner (E-N) =	$370
P.	Utility Reimbursement to Family (M-N) =	0

* Regardless of whether the family stays or moves, the minimum family contribution is the greatest of 10% of total monthly income, HA minimum rent, or the applicable rent the family was paying on the date of prepayment/termination.

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

Housing Assistance Payments Contract, ADDENDUM
Section 8 Tenant-Based Assistance
Rental Voucher and Certificate Program

Purpose and Use: This addendum to the housing assistance payments contract is only used under the following circumstances.

The family is a resident of a preservation eligible project that prepays the mortgage or voluntarily terminates the mortgage insurance in FY 1998, and the family qualifies under the public housing agency (HA) subsidy standards for a smaller family unit size than the actual size of the family's current unit. The family was not receiving Section 8 tenant-based assistance on the effective date of the prepayment or voluntary termination.

There is no appropriate size unit available in the project and the family has made a good faith attempt to find a unit outside of the project but has not located an eligible unit by the end of the term (including extensions) of the certificate or voucher. Therefore, the HA and owner are executing this housing assistance contract to assist the family in the family's present oversized unit for a period not to exceed twelve months. The HA has advised the family that the subsidy based on the oversized unit's rent will only be paid for twelve months.

This addendum must be attached to Part A and Part B of the Housing Assistance Payments Contract (form HUD-52647 or form HUD-52535).

Fill in all contract information below.

1. Contract Unit (enter address of unit, including apartment number, if any.)

2. Tenant (Enter full name of tenant)

3. Beginning of Term The term of the HAP contract begins on (Enter the first day of the lease term. The lease term may not begin before the term (including any extensions) of the certificate or voucher expires):

4. HAP Contract Termination Date
The HAP contract terminates on (one year minus one day from the beginning of the term):

The automatic termination of the HAP contract terminates the lease agreement between the family and the owner (see lease addendum).

5. Signatures and Date (must be the same signature and date as found on Part A of the HAP contract)

Housing Agency	Owner
____________________	____________________