Revised June 2008

PREOCCUPANCY CONFERENCE
PRAC 202/811

DATE:_____   **PROJECT:**_____

A. FAIR HOUSING ISSUES
HUD Handbook 8025.1 – "Implementing Affirmative Fair Housing Marketing Requirements",
Chapter 2 and 3. Form 935.2a (Affirmative Fair Housing Marketing Plan.)
Reference **http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/**

1. **The housing provider** cannot require a tenant to have a caseworker as a condition of residency. (*811s only)*

2. **The Affirmative Fair Housing Marketing Plan (AFHMP)** must be completed before you allow tenants on your waiting list. (new construction)

3. **The AFHMP** must be updated every five years, and whenever there is a change in management or a change in the market area.

4. **The waiting list** needs to be in an unalterable format.
Using any prioritization other than first-come, first-served requires HUD approval.

B. OCCUPANCY REQUIREMENTS - HUD Handbook 4350.3, REV-1 (issued 6/12/2003)
Please ensure that you have the most current revision.
Reference **http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/**.

1. **REQUIRED WRITTEN OCCUPANCY POLICIES**
   a. Tenant Selection Plan – (HUD Handbook 4350.3,para. 2-24
   b. House Rules – (HUD Handbook 4350.3, para. 4-4)
   c. Tenant Grievance Policy – (HUD) Handbook 4381.5, para. 4-7)
   d. Pet Policy – HUD Handbook 4350.1 REV 1, Chapter 32 & 24CFR, Chapter II, part 243)

2. The owner/agent is responsible for ensuring that all HUD occupancy requirements are met. Our office *strongly recommends* Occupancy Specialist training for resident managers, property managers, and the person in the management office responsible for reviewing/correcting the Tenant Certifications (HUD 50059). Among the companies that offer this training are:

   - Quadel Consulting Corp.
     (800) 987-2581

   - National Center for Housing Management (NCHM)
     (800) 368-5625

   - Affordable Housing Management Association of Washington (AHMA)
     (425) 454-6836

*(**Numbers 3 through 10 deal with tenant eligibility requirements, income limits, etc.
Rules found in HUD Handbook 4350.3 through change 29**)*

3. Eligibility Requirements

4. Income Limits -- **http://www.huduser.org/datasets/il.html**

5. HUD Lease Agreement

6. HUD 50059 – The third party documentation must be submitted and the HUD-50059 must be completed, signed and dated *prior* to effective date of move-in

7. Eligibility, income and allowances must be verified by third party verification

8. Tenants must be re-certified annually

9. Income/Asset Statement - ALL tenants 18 years of age or older must complete and sign one for every certification/re-certification

10. Initial Notice of annual re-certification

11. Monthly billing must be submitted electronically to TRACS.
The hard copy of the 52670 (voucher/schedule) must be sent to Kansas City Voucher Processing Hub (see below) for the first 2-3 months (more if there are issues).
All submissions must be received on or before the 10th of the month preceding the month of the billing.

Prior to the releasing of the first PRAC assistance payment, you must submit to the HUD office the first voucher/schedule along with 10% of the completed tenant files (but not less than 3 files).

12. **SPECIAL CLAIMS -** HUD Handbook 4350.3 And Special Claims User Guide
http://www.hud.gov/offices/adm/hudclips/guidebooks/HSG-06-01/HSG-06-01gHBGUID.pdf

    Projects with PRACS can only receive up to 50% of the rent.
    You must start the marketing 60 to 90 days before rent up, in accordance with the AFHMP.
    You will need proof of marketing, i.e., dated letters to agencies, listing of phone calls to agencies, with dates and copies of fliers and ads, in order to receive special claims.

13. **AUTOMATION RULE -- TRACS** (Tenant Rental Assistance Certification System)
24 CFR Part 208 and the Federal Register,
published on November 19, 1993, and August 24, 1994.

    a. Electronic transmission of certifications, re-certifications and subsidy billing is required.
    Please Note: Not all transmissions are successfully received by TRACS.
    Therefore, it is vital to check for an error message, after each submission.

    b. The industry has the option of purchasing computer hardware and software or contracting for these services. The cost for the either option is considered a legitimate project operating expense.

c. Please call TRACS Central Processing Facility at (800) 767-7588, option 8, to receive the following:

1. HUD-50059 Information Packet (Yellow Book)
2. TRACS ID number and password
3. PC TRACS Mail Electronic Information Packet
4. TRACS Mail Software
5. Listing of software vendors and/or service providers

C. MANAGEMENT AGENT REQUIREMENTS
HUD Handbook 4381.5 Rev. 2

1. As insurance against loss, the owner must provide a fidelity bond in an amount at least equal to potential collections for two months or $50,000, whichever is greater. Blanket coverage should extend to all front line employees. PRACs and PACs have a special provision, due to their rents not including debt service payment, that allows two months or $25,000.

2. The items below should have been completed during the development phase. Resubmission is required only if changes have occurred. Please note any future changes in management would require the resubmission.

a. **Previous Participation Certification** on the management entity, HUD-2530,
par. 2.9a., page 2-7).
For electronic submission, **http://www.hud.gov/offices/hsg/mfh/apps/appsmfhm.cfm**
Also reference HUD Handbook 4065.1.
b. **Management Entity Profile**, form HUD-9832
(par. 2.9b., page 2-7)
c. **Management Certification**, form HUD 9839 A, B, or C
(par. 2.9c., page 2-8)
d. **List of positions** to be charged against the project account.
(par. 2.9d. (1) & (2), pages 2-7, 2-8 & 2-9)
e. **Tenant Grievance policy**
(par. 2.9e., page 2-9 & par. 4.7, pages 4-5, 4-6 & 4-7)
f. **Additional information required by HUD Area Office**
(par. 2.9f., page 2-9)
g. **Proof of Fidelity Bonding**
(par. 2.14, page 2-17, 2-18 & 2-19)
h. **Direct Deposit** form SF-1199

D. NEIGHBORHOOD NETWORKS - HUD Handbook 4381.5, Chapter 9.

Neighborhood Networks is a community-based initiative that establishes multi-service community technology centers (CTCs) through innovative private/public partnerships that bring digital opportunity and lifelong learning to residents of insured and assisted housing. Tailor-made to fit each local community, Neighborhood Networks centers open the doors – both on–site and via the Internet – to an infinite array of job opportunities, social services, microenterprise possibilities, and educational programs.

> Minimum Requirements:
> - A HUD-approved Neighborhood Networks Plan.
> - At least two computers, one of which is connected to the Internet.
> - Been established for the purpose of serving residents of HUD Multifamily properties.
> - Be located in a designated area in a HUD Multifamily property (on-site) or in close proximity to it (off-site).

For the Region X Seattle Hub jurisdiction, contact your local Project Manager
http://www.hud.gov/local/shared/working/r10/mf/pmassignment.cfm?state=wa
Learn more about the program **http://www.neighborhoodnetworks.org**
Neighborhood Networks Strategic Tracking and Reporting Tool (START) information:
http://www.hud.gov/offices/hsg/mfh/nnw/nnwbusiness.cfm

E. LOCAL INTERNET AND E-MAIL POLICY REQUIREMENTS

HUD information is no longer distributed by printed material. All updates on policy and procedure are now only available on the web. Therefore, the project owner and the property management agent must have regular access to an Internet provider account with World Wide Web (www) and e-mail access capable of sending and receiving information with a graphical interface. This will be needed for quick and current notification of program, market, and procedural changes and policies. You must provide your e-mail contacts to your project manager by e-mail.

F. REAC SECURE SYSTEMS REQUIREMENTS

1. Assign Secure Systems Coordinator(s) aka Area Coordinator/s

   If an area coordinator and back-up have not been assigned, the primary user should apply for this status. The HUD Secure Systems password is used to access all other REAC subsystems and TRACS viewer. Secure Systems password: **https://hudapps.hud.gov/public/wass/public/participant/partreg_page.jsp**

   The Secure Systems Coordinator (aka Area Coordinator) is responsible for granting access rights to TRACS and REAC subsystems that are used on a regular basis.

2. Assign User Roles
   a. Physical Inspection Viewer
   b. FASS Submitter and Viewer
   c. CPA Certified
   d. Tenant Income Verifier
   HUD recommends that the owner periodically review these access rights and update when changes are made.

G. FINANCIAL SETUP REQUIREMENTS

1. Accounting is on the accrual accounting system.

2. Revised Chart of Accounts must be established in accordance with the HUD Chart of Accounts (or one that can be easily converted at FYE.) – Multifamily Financial Reporting Revisions of January 26, 2000. **http://www.hud.gov/offices/reac/library/lib_fam.cfm**

3. Some management costs may be billed to the project's operating account, while others must be provided for by the Management Fee. Please see The Management Agent Handbook, Handbook 4381.5, Rev-2, par. 6.37, 6.38, 6.39, Figure 6-2, page 6-30, for guidance.

4. All cash receipts must be deposited in an Operating Account in the name of the project in a bank whose deposits are federally insured. This Account must be operable when you receive funds from the first tenants.

5. Funds collected as security deposits must be kept separate and apart from all other project funds in an account maintained in the name of the project. The account must be funded at all times.

References:

- HUD Handbook 4370.2 REV-1 (under revision) –"Financial Operations and Accounting Procedure"
- HUD Handbook 4370.1 – "Reviewing Annual and Monthly Financial Reports"
- HUD Handbook 4370.4 – "Basic Accounting Desk Reference for HUD Loan Servicers"
- IG Handbook 2000.4, REV-2 (revised 12/2001) –
  "Consolidated Audit Guide for Audits of HUD Programs"
- Federal Register dated 9/1/1998 "Uniform Financial Reporting Standards Rule" (UFRS), implementing 24CFR, Part 5, Subpart H
- A-133, "Audits of States, Local Governments and Non Profit Organizations"
  http://www.whitehouse.gov/OMB/circulars/a133/a133.html

H. RESERVE ACCOUNTS
HUD Handbook 4350.1, Chapter 4 And HUD Notice 99-13

1. Owners must establish:
   a. A separate Reserve for Replacement Account.
   b. A separate Residual Receipts Account -
      Excess rent <u>MUST</u> be deposited into the Residual Receipts Account each month.
   c. An Insurance Reserve Account.

2. Deposits to the above accounts must be made on a monthly basis.

3. These accounts must be invested in interest bearing and insured or government-backed accounts.

I. SUBMISSION REQUIREMENTS - HUD Handbook 4350.1, Chapter 7

1.	Monthly Accounting Reports (HUD-93479, HUD-93480 & HUD 93481) are required from the first month of occupancy for a minimum of 1 year.

2.	Budgets must be prepared annually. However, they are not required to be submitted to HUD, unless a rent increase is requested. A rent increase request should be submitted, not later than 30 days prior to the beginning of project's fiscal year. *Utility allowances must also be reviewed for adequacy at this time.*

3.	Electronic submission of the Audited Annual Financial Statement required annually, 60 days after FYE, per the Regulatory Agreement. An additional 30 days have been granted for the electronic submission for a total of 90 days, until further notice.

	Owners of nonprofit properties receiving $300,000 or more annually in combined federal financial assistance are required to submit electronic unaudited AFS, which are certified by the owner (owner certified AFS) within 90 days after the end of the fiscal year. An electronic audited financial statement is due no later than nine months after the end of the fiscal year pursuant to OMB Circular A-133.

	Owners of non-profit properties receiving less than $300,000 annually in combined federal assistance are only required to submit unaudited AFS, which are certified by the owner (owner-certified AFS) within 90 days after the end of the fiscal year.

J. INSURANCE REQUIREMENTS	Form HUD-90164-CA & HUD-9329

The Owner shall provide a certified duplicate copy of the following hazard insurance and fidelity bond coverages before the Permission to Occupy date. In some instances, continuation of the insurance and bonding obtained for the construction period, with proper endorsements will be acceptable. In any event, the Owner shall assure that there is no gap period in insurance protection during the transition from the Builders Risk Insurance to the Permanent Insurance.

(a) Fire and Extended Coverage Insurance
(b) Use and Occupancy (Rental Value) Insurance
(c) Public Liability Insurance on a Commercial General Liability
(d) Blanket Fidelity Bond
(e) Vehicle Liability Insurance (If Applicable)
(f) Boiler Insurance and Inspections (If Applicable)
(g) Flood Insurance (If Applicable)
(h) Director and Officers (D&O) Liability Insurance
(i) Burglary and Robbery Insurance (Optional)
(j) Workers' Compensation and Employers' Liability (statutory or voluntary)

K. PHYSICAL INSPECTIONS
	See **http://www.hud.gov/offices/reac/products/prodpass.cfm**

FYI - IMPORTANT PHONE NUMBERS AND ADDRESSES:

Handbooks and forms may be obtained by calling 1-800-767-7468

REAL ESTATE ASSESSMENT CENTER (PHYSICALS AND FINANCIALS)
1 (888) 245-4860
The Portals Building MF FASS Team
1280 Maryland Avenue, SW Suite 800
Washington, DC 20024

HUD VOUCHER PROCESSING DIVISION OFFICE
HUD Financial Management Center
Kansas City Division
2345 Grand Blvd
Kansas City MO 64108-2603
Phone: (800) 526-8174, x6169
fax: (816) 426-6174

WEBSITE ADDRESSES:

HUD's Washington State Homepage
http://www.hud.gov/washington

Region X Multifamily Hub Program Information
http://www.hud.gov/local/shared/working/localpo/xmfhsg.cfm?state=wa

Region X What's New In Multifamily Housing
http://www.hud.gov/local/shared/working/r10/mf/whatsnew.cfm?state=wa

HUD's National Multifamily Business Page
http://www.hud.gov/offices/hsg/mfh/hsgmfbus.cfm

General Accounting Office
http://www.gao.gov/

TRACS HOMEPAGE
http://www.hud.gov/offices/hsg/mfh/trx/trxsum.cfm

Signed by: _____   Date:_____