

CHAPTER 1: GENERAL INFORMATION

Section 1-1 PURPOSE

This Guide provides the Department of Housing and Urban Development (HUD) field offices, Contract Administrators (CA), and owners/management agents information they need to prepare, review and approve special claims. As part of its commitment to provide affordable housing, HUD recognizes that owners of affordable housing have a potential financial risk because of the limitation on security deposits and the need to adhere to waiting list requirements; therefore, owners should be reimbursed for their financial loss through the special claims process.

Section 1-2 PROCESSING RESPONSIBILITY

- A. Processing and approving special claims is the responsibility of the organization administering the assistance contract. This organization could be HUD, a Traditional Contract Administrator, or a Performance Based Contract Administrator (PBCA).
- B. References to Contract Administrator (CA) in the Guide includes both the Traditional Contract Administrator and the Performance Based Contract Administrator unless otherwise indicated.
- C. This Guide expands on the guidance provided in Chapter 9 of Handbook 4350.3 REV-1, *Occupancy Requirements of Subsidized Multifamily Housing Programs*, for processing special claims.

Section 1-3 APPLICABILITY

- A. The processes and procedures apply to all projects/contracts listed in Figure 1-1, unless otherwise stated.
- B. Owners may claim reimbursement for the types of special claims eligible under the assistance contract for their properties, as listed in Figure 1-1.

Figure 1-1 Applicable Special Claim Types and Eligible Project/Contract Types

Special Claim Types	Eligible Project/Contract Types	24 CFR* Section
1. Vacancies during rent-up	Section 202 PRAC, Section 811 PRAC	891.445(b)
2. Vacancies after rent-up	Section 8, Section 202/8, Section 202 PAC, Section 202 PRAC, Section 811 PRAC	880.611(c) 884.106(c) 886.109(c) 886.309(d) 891.445(c) 891.650(c) 891.790(c)
3. Debt service claims	Section 8 NC/SR (New Regulation contracts), RHS Section 515/8, Section 202/8, Section 202 PAC, PDSA/8	880.611(d) 884.106(d) 886.309(g) 891.650(d) 891.790(d)
4. Unpaid rent/damages	Section 8, Section 202/8, Section 202 PAC, Section 202 PRAC, Section 811 PRAC	880.608(f) 884.115(a) 886.116(a) 886.315(d) 891.435(c) 891.635 891.775

* Code of Federal Regulations

Section 1-4 OWNER/AGENT SUBMISSION REQUIREMENTS

- A. See Sections 2-4, 3-4, 4-4 and 5-4 of this Guide for the submission timelines for each of the four types of special claims.
- B. In the event of a project opt-out or a terminated contract, all special claims must be submitted to the appropriate HUD office no later than 90 calendar days following the effective date of the opt-out or contract termination. No loss incurred after the date of opt-out or contract termination shall be eligible for a special claim. HUD staff will review the special claims to determine eligibility for payment and notify the owner/agent of the approved amount and claim identification (ID) number.

Section 1-5 OWNER/AGENT CLAIMS PROCESS

- A. All required documentation must be submitted with the claim to ensure timely processing of the claim.
- B. A checklist of required documentation must be used and submitted with each claim package to ensure all required documentation is submitted with the claim form. See Appendices 2B, 3B, 4B and 5B for sample checklists for each claim type.
- C. Any overpayment of subsidy and/or special claim identified during a voucher review must be reimbursed to HUD before HUD or the CA can process or approve a special claim.
- D. Any special claim reimbursement from HUD received by the owner must first be applied toward any unpaid tenant rent due under the lease. Additionally, no reimbursement may be claimed for unpaid rent for the period after termination of tenancy. However a special claim for vacancy loss may be submitted.
- E. The owner must verify all tenant transmissions to TRACS (move-in, move-out, etc.) prior to submitting the special claim for approval. A move-in date is not required for special claims for vacancy loss during rent-up or for regular vacancies if 60 days have elapsed from the ready-to-occupy date, or if 180 days have elapsed for a debt service claim.
- F. If TRACS will not accept a move-out, the owner/agent must submit a TRACS Multi-Family Move-Out Request Form to the multifamily helpdesk. The request form is located at <http://www.hud.gov/offices/hsg/mfh/trx/trxdocs.cfm>
- G. Incomplete Claim Packages:
 - 1. Within 30 calendar days from the date of receipt of an incomplete claim package HUD or the CA will either return the incomplete package or contact the owner by email, fax or telephone requesting the missing items. Either method is acceptable. It is the discretion of the HUD Field Office or CA which method they choose to use.
 - 2. If the incomplete claim package is returned, a letter will be included with the returned claim package indicating why it was determined that the package was found to be incomplete. If HUD or the CA uses the option of notifying the owner via email, fax or telephone requesting the missing items, HUD or the CA must specify the date by which the documents must be received.

3. The owner must resubmit the complete claim package within 30 calendar days from the date of the letter included with the returned claim package. If HUD or the CA elects not to return the package but to request via email, fax or telephone that the owner fax or mail the missing documents, the missing documents must be received by the date specified by HUD or the CA. Any claims received after the specified date will be denied and ineligible for resubmission.

H. Denied or Reduced Claims:

After the review of a complete package:

1. The owner/agent must appeal a denied or reduced claim within 30 calendar days from the date of the letter denying or reducing the claim, or the appeal will be denied. The appeal should include a brief explanation as to why the claim should be paid, along with any new or additional supporting documentation. The owner is allowed one original submission, one resubmission, and one appeal.
 2. HUD or the CA will approve or disapprove the appeal within 30 calendar days from the date the appeal is received from the owner/agent.
 3. The owner/agent must request payment for any approved claim(s) within 90 calendar days from the date of the approval decision.
- I. The owner/agent should request payment for an approved claim on the next scheduled voucher. However, payment must be requested within 90 calendar days after approval date of the claim.

A special claim transmitted for payment is subject to the availability of funds.

- J. The voucher must include the assigned special claims ID number for the type of claim. Failure to include the assigned special claim ID on the voucher, entering the incorrect claim type or requesting a special claim amount that differs from the approved amount will result in rejection of the voucher.

Section 1-6 HUD OR CA CLAIM REVIEW PROCESS

- A. A claim must be date stamped the day it is received.
- B. HUD or the CA must maintain a Special Claim log containing: property name, contract number; type of claim, date received, unit number, tenant name, special claim ID number, date approved, whether the claim was adjusted, rejected, or

appealed, the dollar amount submitted, dollar amount approved and payment status.

C. Special Claim ID Number.

1. For all approved or reduced claims HUD or the CA will notify the owner/agent of the approved amount and claim ID number within 30 calendar days from the date of receipt.
2. HUD staff will use the Special Claims Approval option on the TRACS Main Menu in Secure Systems to record the special claim and to create the special claim ID number. For each claim ID number, only one type of claim (rent-up vacancy, regular vacancy, debt service, and unpaid rent or damages) is permitted. Multiple special claims of the same type for the same contract will be processed together and assigned the same special claim ID number.
3. CAs will use their own system for assigning the special claim ID number. The CA must follow HUD's practice and assign a unique claim ID for each type of claim (rent-up vacancy, regular vacancy, debt service, unpaid rent, or damages). Multiple special claims of the same type for the same contract should be processed together and assigned the same special claim ID number.

D. Processing a Reduced Claim.

1. The review of claims that require a reduced or revised amount will be clearly annotated.
2. A reduced claim will be approved for payment at the reduced amount.
3. The owner/agent will be notified in writing of the reason(s) for reduction and of the right to appeal the decision. The letter will include the owner/agents appeal rights, and the name and address of the person to whom the appeal may be made.
4. All appeals received from the owner/agent will be processed within 30 calendar days of receipt.

E. Incomplete Claims.

1. Within 30 calendar days from the receipt of an incomplete package HUD or the CA will either return incomplete claim packages or contact the owner by email, fax or telephone requesting the missing items.

2. Incomplete claim packages returned to the owner will include a letter stating the reason the package is incomplete and providing the owner/agent 30 calendar days from the date of the letter to resubmit a complete package. If the resubmission is received by HUD or the CA after the 30 day calendar deadline has elapsed, the claim will be denied and cannot be resubmitted.
3. If HUD or the CA elects not to return the package but to request via email, fax or telephone that the owner fax or mail the missing documents, the missing documents must be received by the date specified by HUD or the CA or the claim(s) will be denied and cannot be resubmitted.

F. Processing an Unacceptable Claim.

1. An unacceptable claim will be marked as denied.
2. The owner/agent will be notified in writing of the reason(s) for denial and of the right to appeal the decision. The letter will include the owner/agent's appeal rights and the name and address of the person to whom the appeal may be made.
3. All appeals received from the owner/agent will be processed within 30 calendar days of receipt.

Section 1-7 RETAINING COPIES

- A. HUD or the CA must retain copies (or electronic images), of approved claims and supporting documentation for three (3) years from the date of approval.
- B. Owners/agents must retain copies of claims and supporting documentation for three (3) years after the date the claim(s) was paid.
- C. Approval of payment of claims does not prevent HUD or CA staff from reviewing special claims during subsequent Management and Occupancy Reviews and Annual Compliance Reviews, requesting reimbursement, if required.