



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

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Special Attention:	Notice PIH 98-11 (HA)
Directors, Offices of Public Housing;	
Director, Section 8 Financial Management	Issued: February 3, 1998
Center; Section 8 Public Housing Agencies;	Expires: December 31, 1998
Secretary's Representatives; State and	
Area Coordinators	Cross References:

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Subject: Fiscal Year 1998 Financial Management Requirements for Section 8 Moderate Rehabilitation Program (Mod Rehab) Housing Assistance Payments (HAP) Contract Expirations.

1. **PURPOSE** - This Notice provides instructions to PIH State/Area Offices on financial procedures for implementing Notice PIH 97-58, Fiscal Year (FY) 1998 Renewal of Expiring Section 8 Moderate Rehabilitation (Mod Rehab) Housing Assistance Payments Contracts (HAP), dated November 21, 1997. This Notice updates Notice 97-15, Financial Management Program Requirements for the Moderate Rehabilitation Program, dated April 10, 1997.
2. **BACKGROUND** - As stated in Notice 97-58, the FY 1998 Appropriations Act extends Section 211(b) of the FY 1997 Appropriations Act to cover HAP contracts expiring during FY 1998. Financial processing of Mod Rehab renewal increments as well as replacement certificate increments will be substantially similar to the procedures followed for FY 1997, with additional instructions contained in this Notice.

Prior to passage of the FY 1998 Appropriations Act, State and Area Offices were instructed to reserve and contract funds for tenant-based certificates to replace all HAP contracts expiring in the first quarter of FY 1998, from October 1, 1997 to December 31, 1997. Because Section 211(b) of the Appropriations Act was extended for FY 1998, eligible property owners may in certain circumstances retroactively request renewal of their units for which HAP contracts expired from October 1, 1997 to December 31, 1997.

3. **APPLICABILITY** - The provisions in this Notice **for replacement certificates** applies to all Mod Rehab HAP contracts expiring from January 1, 1998, **to December 31, 1998**. The provisions in this Notice **for renewal** and extension of eligible Mod Rehab HAP contracts applies to the first quarter FY 1998 expirations where owners have requested retroactive renewals, as well as eligible HAP contracts expiring from January 1, 1998, **to September 30, 1998**.

This Notice **does not** apply to Offices of Native American

Programs, and expiring Section 8 contracts administered by Indian Housing Authorities (IHAs). IHA administered HAP contracts which expire after September 30, 1997 will not be renewed, pursuant to the Native American Housing Assistance and Self Determination Act of 1996. This Notice is also not applicable to the Section 8 Moderate Rehabilitation Single Room Occupancy Program.

4. **GENERAL PROCEDURES** - All Mod Rehab HAP contracts expiring during the period covered by this Notice will either be renewed or replaced with tenant-based certificates or vouchers, if approved by HUD Headquarters. Funds will be assigned under Fund Code 0319; program code PPXMR for renewals and PPXMC for replacement certificates (PPXMV for replacement vouchers).

Replacement funds for all HAP contracts expiring between January 1, 1998, and March 31, 1998, will be provided based on HUDCAPS information on the number of units expiring and the actual average cost from the program's last closed year end settlement adjusted for inflation of 2.5% per year, to the present. For renewal of HAP contracts which expired between October 1, 1997 and December 31, 1997, and from January 1, 1998 to March 31, 1998, funds will be provided as identified on completed and approved reports submitted by HUD field offices.

Thereafter, all funds will be assigned to field offices on the quarterly basis of their completed and approved reports on renewal and replacement funding needs, as specified in this Notice. Funds are to be reserved in accordance with the approved reports, unless a change is concurred upon by Headquarters.

Expirations from within the same funding increment may be combined for renewal. The HAP Contract Number of the renewal of the Mod Rehab HAP contract expiration will be the same as the HAP Contract Number of the original funding allocation.

The renewal funds will be reserved as a subsequent line to the original Mod Rehab funding increment, with the expiration date of line 001 no earlier than the expiration date for the new renewal line. **UDIS, HAPU and HAPC tables must be created to support the units of each expiring HAP Contract being renewed.**

Expirations within the same calendar quarter may be combined for replacement. The effective date of the replacement increment will be determined by the earliest expiration date of HAPs replaced in the replacement increment.

As HAP contracts expire, field offices are reminded to **DO NOTHING to the number of units on the expiring HAPC record.** The funding exhibit for the Mod Rehab program excludes inactive HAPs which have units on the HAPU table. If the HAP has expired, as determined by the HAP effective and expiration dates on HAPC, then it is automatically excluded from the funding exhibit or on an expiration report.

5. **SPECIFIC HUDCAPS PROCEDURES - RENEWALS:**

- a. Identify all HAP contracts to be renewed from within a specific Mod Rehab funding increment (see Attachment IV, HA Report to Field Office, a suggested, not mandatory, HAP information format for the HA). The HUDCAPS report Expiring Contracts - Funding Increment Based #A75QPA04 identifies all HAP contracts expiring within the specified period. Determine the total dollar amount (BA) of renewal funding to be provided (see Section 7 below, Calculation of Renewal and Replacement Needs, and Attachment I, Renewal Funding Worksheet).

Requested renewals must be made within the time limits established in Notice 97-58: 1) For HAP contracts which expire between October 1, 1997 and January 31, 1998, owners must request a renewal within 15 days of the date of the housing authority's (HA) notification. 2) For HAP contracts which expire between February 1 and September 30, 1998, HAs must require owners to request a renewal at least 75 days prior to the termination of the HAP contract.

- b. Create a line 00X (first unused line number) on the original funding increment, following the HUDCAPS procedures titled "Providing a Cost Amendment for Funding-Increment Based Programs" from page MP-79 from the HUDCAPS Procedures and Users Guides of August 1996. On the Header tab, the funding action is entered as a Renewal; the document action is modification; the program type is MR. A related FI number is not required. The BA is the total of the amounts determined on the worksheet for all units to be renewed in that increment. On the Line tab, enter the correct new line number; the source year is 98; the fund is 0319 and the program is PPXMR. The bedroom distribution must match that of the HAPs being renewed, per HAPU. The Description should identify that the funds renew \_\_\_\_ units from HAP \_\_\_\_\_. Approve the reservation document.

- c. Enter the dates and terms on the FISL table and change the status to pending. The funding term will be 12 months, beginning the first of the month in which the first renewal occurs, unless that is the last date of the month, in which case the term begins the first date of the next month. The contract term must cover all HAPs renewed on the line. It begins the same date as the funding term and ends on the last date of the month in which the last renewal term ends.

In order for the new funding exhibit to include the full term of the renewal line, ensure that the expiration date for line 001 is no earlier than the expiration date for the new line. If the expiration date for line 001 is earlier, do a change date and term action for line 001 to extend the expiration date to agree with the expiration date of the new renewal.

- d. Add the renewal line to HAPC. Use the same HAP number and stage as are on the original HAP Contract. The effective date is the date after the original term expired; the expiration date is 12 months later. Use a blank HAPC table to enter the data; then invoke Actions Add. The total units will be entered by HUDCAPS when HAPU is completed by the user. **Unless the renewal line is added to HAPC and HAPU these units will not be accounted for at the end of the renewed HAP term.**
- e. Add the HAPU line for the renewal units. Use the same FI number, HAP Number and Stage as on the original Contract. The line is the renewal line number (00X). The bedroom size must match the expired HAPs; the program type is MR. Use a blank HAPU table to enter the data; then invoke Actions Add.
- f. Print the ACC Funding Exhibit, attach to the ACC, and secure signatures of the HA and HUD.
- g. Contract the renewal line in HUDCAPS.

6. **SPECIFIC HUDCAPS PROCEDURES - REPLACEMENTS:**

- a. Using the HUDCAPS expiration report Funding Increment Based #A75QPA04, and suggested Attachment IV, identify all expiring HAPs to be replaced with certificates within a calendar quarter, and for which funding has been assigned.
- b. Create a certificate funding increment number for a

renewal increment, following HUDCAPS procedures.

- c. Create the Reservation Document, following HUDCAPS procedures for renewals. If the Mod Rehab increment(s) which include the expiring HAPs has previously been cited as a Related Funding Increment on a Reservation Document, go to the FISH table for the expiring Mod Rehab increment(s) and delete the "Replacement FI Number" entry by highlighting the "Replacement Increment" field, hitting the delete key and doing an Actions/Change function. That will enable you to re-use the Mod Rehab increment as a Related Funding Increment. Approve the reservation document.
- d. Enter dates and terms on the FISL table and change status to pending. The term will be 12 months, beginning the first of the month in which the first covered expiration occurs, unless that is the last day of a month, in which case the term begins the next day.
- e. Print the funding exhibit, attach to an ACC and secure signatures of the HA and HUD.
- f. Contract the replacement increment in HUDCAPS.

7. **CALCULATION OF RENEWAL AND REPLACEMENT NEEDS** -

Calculating the Fiscal Year 1998 funds needed to support the one year renewals to the Mod Rehab owner, and funds needed to replace expiring Mod Rehab contracts with certificates where a renewal to the owner is not being made will be substantially similar to the process used in Fiscal Year 1997, with the exceptions noted below. Funding worksheets in Excel, with accompanying instructions, are attached to this Notice.

- a. **RENEWALS:** The only change in the funding worksheet is that current 1998 FMRs will be used. Worksheet will increase the FMRs by 20%. The average tenant payment from the latest approved **mod rehab** budget for the funding increment that includes the unit(s) covered by the expiring HAP will be entered as well as the number of units, by bedroom distribution.
- b. **REPLACEMENTS:** The nature of staggered Mod Rehab expirations makes the use of Reservation Pricing in HUDCAPS problematic, and therefore requires the use of the attached worksheet. Funding needs for replacement certificates will be calculated, however, on the same basis as any other certificate. The worksheet will use 92% of the 1998 FMRs, with the ability to go up to 100% as justified by actual

costs.

8. **REPORTING REQUIREMENTS** - Field Offices will be required to provide quarterly reports to Headquarters indicating the category and amount of funds required. A sample spreadsheet report and instructions (Attachment III) are included for reporting renewal and replacement requirements to Headquarters. A separate report is required for each category.

A suggested reporting format and instructions are again also included for use by HAS (Attachment IV). The use of this format by HAS for submission to the Field Office will help ensure that program requirements have been met and that the correct amount of assistance is requested prior to issuing renewal Mod Rehab funding or replacement tenant based assistance.

The first report covering expirations during the period of January 1, 1998 through March 31, 1998, which will be funded in advance, is due to Headquarters no later than **February 6, 1998**. Thereafter, the reporting requirements are as follows:

<u>Contract Expiration Period</u>	<u>Report Due to HQ</u>
April 1 - June 30, 1998	April 30, 1998
July 1 - September 30 1998	July 31, 1998
October 1 - December 31, 1998	August 31, 1998

9. **NOTIFICATION TO HOUSING AUTHORITIES** - When replacement tenant based assistance or renewal funds for the Mod Rehab program are received, the Field Office should reserve the funds in HUDCAPS and prepare a Notification Letter(s) to the HA. Separate letters should be prepared for replacement tenant based assistance and for renewal funds.

The letter(s) will inform the HA that expiring HAP contracts have either been replaced with tenant based assistance or renewed for the Mod Rehab Program. Also included in the letter(s) should be the expiring project number, new increment number (tenant based assistance only), the number of tenant based assistance units funded and/or renewed Mod Rehab units, funding term, and budget authority.

Notice PIH 98- \* on renewal of certificates and vouchers during Fiscal Year 98 provides that beginning on October 1, 1997, HAS are no longer required to routinely submit budget revisions with each contracted renewal funding increment. Budget revisions are only necessary

if the HA requires more funds than were previously approved in the current budget. **However, since each renewal increment replacing an expiring Mod Rehab contract(s) does increase the size of the Certificate, or Voucher, program, a budget revision to include the prorated replacement project funding must be submitted by the HA.** \* Notice will be issued.

Sample letters are included in Attachment V.

The appropriate entries should be made in HUDCAPS to generate a funding exhibit for the tenant based assistance program and/or the Mod Rehab program, as applicable. Please refer to the HUDCAPS Users guide for specific data entry requirements. The ACC and new funding exhibit should be submitted to the HA for signature.

If the expired Mod Rehab HAP contract has been replaced with tenant based assistance, it is not necessary to submit a revised ACC for the Mod Rehab program to the HA. HUDCAPS will automatically delete the number of units under ACC on subsequent funding exhibits. The HA should be reminded that subsequent Mod Rehab budgets should reflect the actual number of units remaining under HAP contract which have not yet expired.

To maintain Mod Rehab program history, the HAPC table should not be altered to reduce the number of expiring units replaced with tenant based assistance. When applicable, the HAPC table should be updated to include the related funding increment.

10. **FURTHER INFORMATION**

Any questions regarding this notice should be addressed to the Section 8 Finance Division of the Office of Public and Assisted Housing Delivery, at (202) 708-2934.

\_\_\_\_\_/s/\_\_\_\_\_  
Kevin Emanuel Marchman,  
Assistant Secretary for  
Public and Indian Housing

Attachment

**ATTACHMENTS**

- I. Renewal Funding Worksheet
- II. Replacement Funding Worksheet
- III. Field Office Reports To Headquarters
  - a. Instructions
  - b. Renewals
  - c. Replacements
- IV. Housing Authority Report to HUD Field Office
  - a. Instructions
  - b. Report
- V. Suggested Notification Letter Format
  - a. Renewal
  - b. Replacement