



Office of Multifamily Housing Programs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAQs: Housing Opportunity Through Modernization Act of 2016 (HOTMA)

Updated December 2024

Question 1: Can Multifamily Housing (MFH) Owners implement HOTMA provisions prior to the release of the HOTMA-compliant version of TRACS (TRACS 203A)?

Answer: MFH Owners may calculate family incomes and tenant rents manually prior to the release of TRACS 203A, then enter the resulting information into TRACS version 202D (the current version of TRACS) using the rent override function. For additional information on the rent override function, see the following one-pager: https://www.hud.gov/sites/dfiles/Housing/documents/Rent_Override.pdf.

Question 2: During a Management and Occupancy Review (MOR), will the prior Tenant Selection Plan (TSP) or the newly updated Tenant Selection Plan be used for the review, and will any HOTMA related findings or observations be issued?

Answer: Until TRACS 203A has been released and an Owner is operating fully under HOTMA rules, Contract Administrators performing MORs will need to review both the pre-HOTMA and HOTMA-compliant TSPs.

The HOTMA-compliant TSP will be reviewed according to the guidance set forth in [Notice H 2024-04](#) and [Notice H 2023-10](#). Note that:

1. Prior to certifications of income effective July 1, 2025, or a later date specified by HUD, MFH Owners will not be penalized for HOTMA-related tenant file errors during MORs. Instead, the Contract Administrator (CA) will issue observations with corrective actions.
2. If, however, the TSP and EIV Policies and Procedures were not updated and made publicly available by May 31, 2024, as required by Housing [Notice 2024-04](#), the CA will issue findings.

MFH encourages MFH Owners to redline their pre-HOTMA TSPs with the HOTMA changes to facilitate CA review of their HOTMA-compliant TSPs.

Question 3: What if my TSP has been updated for HOTMA but during an MOR, the Contract Administrator issues a finding for minor mistakes?

Answer: With respect to HOTMA, the CA will issue an MOR finding only for a TSP that fails to comply with Notice H 2024-04. For HOTMA-related errors unrelated to Notice H 2024-04, the reviewer will issue only observations until such time as TRACS 203A has been released and the Owner is expected to be fully compliant with HOTMA.

Question 4: When will the newly revised model leases be available to MFH Owners?

Answer: HUD-approved Model Leases will be made available as soon as possible and prior to the date on which HUD requires full compliance with the HOTMA final rule.

Question 5: Will MFH Owners be able to use the new forms and model leases if they are made available before the July 1, 2025, compliance date?

Answer: Yes, if MFH Owners have implemented HOTMA in any respect, they must use the model leases, once available, as prescribed by Notice H 2023–10:

MFH Owners must provide families with copies of the HUD-approved lease at least 60 days prior to the end of a family's lease term.

MFH Owners must include a letter clearly stating that the family can either accept the modification or move, but that a response is due from the family within 30 days.

Families must either accept the modification by signing both copies of the modification and returning one to the MFH Owner or refuse the modification and give the owner a 30-day notice of intent to vacate.

If, within 30 days, the family indicates that the modification is unacceptable or does not respond, the MFH Owner may begin the procedures for terminating tenancy.

Please note, that HUD is currently updating the forms/model leases so that they comply with HOTMA. HUD will make them available as soon as their use has been approved by the Office of Management and Budget. With respect to the HOTMA-updated forms, model leases, and other updates pertaining to HOTMA implementation, please subscribe to the MFH mailing list for forthcoming notification at this link: <https://public.govdelivery.com/accounts/USHUDFHA/subscriber/new>.

Question 6: What is the expected release date for TRACS 203A?

Answer: MFH anticipates that TRACS 203A will be operationalized by early 2025—in advance of the July 1, 2025, compliance date. MFH is working expeditiously to update the system to allow for HUD and industry stakeholders to test TRACS 203A software.

Question 7: How do MFH Owners implement the inflationary adjustments if they have or have not implemented HOTMA at their property? What about the Passbook Savings Rate?

Answer: If a MFH Owner has implemented any aspect of HOTMA that is required by the HOTMA final rule to adjust by inflation, then the MFH Owner must use the inflationary adjusted value for Calendar Year 2025 of the specific provision that is listed at the following webpage:

<https://www.huduser.gov/portal/datasets/inflationary-adjustments-notifications.html>. For items that adjust according to inflation by the HOTMA final rule, see Attachment H of [Housing Notice 2023–10](#).

MFH Owners who have not implemented aspects of HOTMA affected by inflationary adjustments will continue to use the pre-HOTMA amounts until the mandatory compliance date of July 1, 2025, or a later date prescribed by HUD.

For MFH Owners who have not implemented the HOTMA-required Passbook Savings Rate, they will continue to use the rate of 0.06%, which became effective on February 1, 2015. For additional information on the pre-HOTMA Passbook Savings Rate, see: <https://www.hud.gov/sites/documents/14-15HSGN.PDF>.

However, if an MFH Owner has implemented the HOTMA-required passbook savings rate through the rent override function in TRACS 202D, the certification will follow the 2025 HOTMA rate of 0.45%.

To find calendar year 2025's Passbook Savings Rate and all Inflationary Adjustments, please visit the following website: <https://www.huduser.gov/portal/datasets/inflationary-adjustments-notifications.html>.

Question 8: When may I start implementing the safe harbor provision of HOTMA?

Answer: A MFH Owner may determine a family's annual income, including income from assets prior to the application of any deductions (based on income determinations made within the previous 12-month period), from means-tested federal public assistance programs listed on page 118 of [Notice H 2023-10](#) before the HOTMA compliance date of July 1, 2025.

Question 9: What do I do if I become aware of the need to correct a TRACS 202D certification after I've adopted TRACS 203A?

Answer: TRACS 203A will be able to accommodate corrections to certifications completed under TRACS 202D rules. The 203A *MAT Guide*, which is forthcoming, will contain information as to how MFH Owners will indicate whether to apply TRACS 202D rules to any such correction.

Question 10: When can I start implementing the new HOTMA compliant tenant consent form (HUD 9887/9887A)?

Answer: You may use the HOTMA-compliant tenant consent form once it has been made available by HUD. Please note, the HOTMA compliant HUD forms 9887/9887A have not yet been released to the public by MFH. Please review the new requirement on pages 112-113 of [Notice H 2023-10](#).

Question 11: Do I have discretion in implementing the phased-in medical hardship date set at explicitly January 1, 2024, in the HOTMA final rule?

Answer: No. The HOTMA final rule requires the phased-in medical hardship relief to be applied only to families who received the medical deduction based on their most recent income review prior to January 1, 2024. However, MFH Owners may, at their discretion, utilize the general hardship provision as outlined on pages 43-45 of [Notice H 2023-10](#) to provide assistance to affected families, including those who receive a medical deduction but are ineligible for phased-in relief and will otherwise see their deduction drop significantly. HUD reserves the right to permit medical hardship relief waivers on a case-by-case basis.