



MEMORANDUM

Date: Effective May 1, 2010
To: Southern California Owners & Agents
From: CMS/LOMOD/HUD-LA
Subject: Policy Updates: Contract Renewal, Special Claims, Management and Occupancy Review

Policy Updates for Southern California Owners & Agents:

In an effort to gain consistency between HUD offices, HUD-LA has requested that the following requirements and policies be enforced **effective May 1, 2010**.

- 1) **One Year Letter of Intent to Renew or Opt Out of the HAP contract:** Letters must be submitted to CMS for approval prior to the distribution to tenants. CMS will approve the content of the letter or return it to the owner for corrections (any required changes will be noted when returned to the owner). The one year clock begins once an approved letter is distributed to Tenants and HUD/CMS.
- 2) **24 CFR Tenant Posting:** The CFR requires that owners inform tenants of proposed rent increases. Properties receiving Project Based Section 8 assistance and all methods of rent adjustment (AAF, OCAF, Budget) must adhere to published requirements.

Note: Exception to this requirement is Co-Op Housing Ownership entities.
- 3) **Owners Certification as to Compliance with 24 CFR Posting:** Owner's Certification (OC) as to compliance with 24 CFR 245 must be received in order for the submission packet to be complete and the file to be processed. The certification is to be sent with the owner's request for renewal and/or rent adjustment packet.
- 4) **Owner Signature:** Owner signature is required on HUD forms and contractual documents. When the form states "Owner Signature" it needs to be signed by an authorized owner. Signature submitted must be from an authorized person as stated in the owner entity's business agreement (Articles of Incorporation or By-Laws) however, signature authority may be delegated to a third party through a Board Resolution or Power of Attorney, although HUD must approve prior to submission.
- 5) **Owner Submission/Short Term Contracts:** Short-term contracts will be issued in accordance with the Section 8 Renewal Policy guide. Exceptions will not be made unless directed by the HUD-LA office.

- 6) Annual Debt Service:** The following documents need to be submitted with the renewal and/or rent adjustment request packets for properties that do not have a HUD insured or HUD held mortgage.
- a) Copies of Mortgage Notes
 - b) Amortization Schedule
 - c) Financial statement that supports the new debt amortization schedule
 - d) When the property has no debt, provide a Settlement Statement or a certified statement that the owner did not encumber the property to pay off the debt
 - e) When the owner has a land lease, provide documentation of payment schedule
- 7) Late Owner Submission:** Per the Section 8 Renewal Policy Guide, owners are required to submit their renewal packet to CMS at least 120 days prior to the contract anniversary date. When the renewal and/or rent adjustment request packet is not received by the 120 day deadline, the rent increase effective date will be delayed as follows:
- o 119 - 90 days prior to contract anniversary = 1 month delay
 - o 89 - 60 days prior to contract anniversary = 2 month delay
 - o 59 - 30 days prior to contract anniversary = 3 month delay
 - o 29 - 0 days prior to contract anniversary = 4 month delay
- The maximum delay in the rent increase effective date is 120 days.
- 8) Utility Analysis:** An analysis with supporting documentation is required every three years with the renewal and/or rent adjustment request packet. A recommendation and condensed support are needed on an annual basis. Detailed requirements can be found online at www.contractmgmt.org.
- 9) Special Claims Form:** Special Claims forms must be signed by the owner.
- 10) Part A of Addendum B:** LOMOD must receive an accurate, completed form containing the owner signature on or before the date of the scheduled management and occupancy review. The owner cannot delegate signature authority, even with a POA. If any items are missing on the form, or the owner's signature cannot be confirmed on or before the date of the on-site MOR, a 10 day letter will be issued.