Preparing for a Section 8 Management and Occupancy Review

Presented by:

Region VIII Performance Based Contract Administrators, (PBCAs)

Preparing for a Management and Occupancy Review

- Overview
  - What to Expect
  - Tenant Files
  - Questionnaire
  - Physical Inspection
  - MOR Report and Findings
  - HUD Handbook 4350.1, Chapter 6.

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What is an MOR?

- MOR is the acronym for **M**anagement and **O**ccupancy **R**eview.
- Project Based Section 8 properties are required to be reviewed annually by the PBCA, **P**erformance **B**ased **C**ontract **A**dministrator.
- CA is an acronym **C**ontract **A**dministrator.

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MOR – What to Expect

- Receive a phone call, email, or letter from the CA to set up the MOR. You will have at least a 2 week notice.
- Receive a confirmation letter detailing the date, time and information needed during the review.

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MOR – What to Expect

- Confirmation letters contain
  - Addendum B
  - Tenant File Checklist
  - Addendum C – list of paperwork required
  - Requirement to notify tenants of visit

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MOR – What to Expect

- Addendum B – Three pages- This must be filled out and signed only by the owner and must be available for the officer to pick up at the time of the review.
- If not available on the day of the review a 10-day letter will be issued.
- Tenant File Review Worksheet – Good practice to use to audit your own files throughout the year.

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MOR – What to Expect

- On the MOR date be sure to:
  - Notify tenants
  - Have Addendum B paperwork filled out and signed by the **_owner_**
  - Files and other paperwork available to review

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MOR – What to Expect

- On-Site Entrance Conference with participating project staff
  - Explain how the monitoring review will be conducted
  - Identify key staff that will be assisting in the review
  - Confirm activities and files that will be reviewed
  - Explain the process of CA reporting of findings that may be discovered during the review, and O/A resolution requirements

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Questionnaire

- General Appearance and Security
- Follow up and Monitoring of Project Inspections
- Maintenance and Standard Operating Procedures
- Leasing and Occupancy
- Tenant/Management Relations
- General Management Practices

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General Appearance & Security

- We look at all common areas, buildings & grounds to determine if they are clean, free from damage, graffiti etc.
- A sample of vacant units that are ready for occupancy
- HUD wants to make sure the residents on the property live in decent safe and sanitary conditions.

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Follow Up & Monitoring of Project Inspections

- REAC – Reviewer will follow up on all EH&S items listed in the REAC report & random sample of other units for reports conducted within past 12 months.
- Lead Based Paint Inspection – Only applies to subsidized family properties or elderly properties housing children under the age of six that were constructed prior to 1978.

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Maintenance & Standard Operating Procedures

- Maintenance
  - Written Policies and work orders
- Vacancy and Unit Turn Over
  - Average Industry time is 3-5 days
- Energy Conservation – Go Green!

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Leasing and Occupancy

- The Reviewer will review the:
  - Application for all of HUD's required criteria. (HUD 4350.3 Par. 4-14B)
  - Tenant Selection Plan for all of HUD's required criteria. (HUD 4350.3 Par. 4-4C)
  - Waiting List for all of HUD's required criteria. (HUD 4350.3 Par. 4-16D3)

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Leasing and Occupancy

- Lease. Have you begun using the lease from Change 2?
- Additional charges must be approved by HUD even if listed in lease.
- Addendums are not allowed unless listed in paragraph 27 of the HUD Model Lease
- Eviction/Termination of Assistance Procedures
  - There is a difference.

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TRACS Monitoring and Compliance

- Vouchers
  - Follow up to errors
    - CA issued
    - TRACS issued

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Tenant File Security

- Must be able to show tenant information is maintained in a confidential manner.
  - Locked file cabinets
  - Locked office
  - Who is authorized to have access

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Tenant Files

- CA will choose at least 5 files (more depending on size of property)
- File Selection will include:
  - New Move-ins
  - Annual Recertifications
  - Interim Recertifications
  - Move-outs
  - Rejected Applicants

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Tenant Files

Must contain:

Original Documents
- Application
- Background and Sex Offender checks
- Other screenings from TSP
- Proof of Age
- Proof of Social Security Numbers
- Declaration of Citizenship

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Tenant Files

Must contain:

Original Documents

- Race and Ethnicity forms
- Original HUD Model Lease
- Approved Lease Addendums/Attachments
- Original Move in 50059
- Pet Addendum (if applicable)
- Move-in inspection

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Tenant Files

Must contain:

- Lead Based Paint Disclosure (if applicable)
- Resident Rights and Responsibilities
- Current and last annual 50059
- Income, Asset and Expense Verifications
  - Third party
  - Resident provided
  - File documented

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Tenant Files

- Recertification Notices to Tenants
  - First, Second, Third Reminder Notices
  - Initial Notice
- 9887/9887-A and HUD Fact Sheet
  - Newest version dated 2/2007
- Annual Unit Inspections
  - If a property keeps the annual unit inspections in a separate file, please make those available at time of MOR
- HUD Form 92006 (Supplement to Application for Federally Assisted Housing)

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Tenant Files

- Helpful if the files are:
  - Consistent order
  - Certifications are separated for each year with backup documentation
  - Calculator tapes or some other method showing how you came up with calculations
  - File Set-up Checklist

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Review Close-out

- Reviewer will disclose as many findings as possible.
  - The reviewer may not be able to disclose all findings at this point and will perform a review of documents, i.e. application, TSP, wait list,– findings may be on review that were not stated at close out.
- Opportunity to correct or explain findings or misunderstandings.

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Review of Documents

- After the review and before the report is written, the CA will review the paperwork from the site visit.

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MOR Report

- The report will be sent out within 30-days
- Copy for Owner/Management Agent/Site Manager
- All findings must be corrected within 30-days unless extenuating circumstances
- If there is no response, a 10-day letter will be sent to request a response. If no response is received after 10-days the HAP payment will be held

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MOR Summary Report

- Ratings:
  - Superior
  - Above Average
  - Satisfactory
  - Below Average
  - Unsatisfactory
- Individual categories first, then overall rating is assessed based upon the individual line items, the seriousness of the findings, and the ratings assigned to that specific category.

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4350.1 Chapter 6

- Provides consistency with the HUD-9834, Management Review for Multifamily Housing Projects, which was revised in 2005;
- Clarifies the applicability section for the various programs covered under the chapter;
- Adds a new section to identify the reviewing officials (HUD staff, Contract Administrators, and Mortgagees);

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4350.1 Chapter 6

- Removes outdated requirements (i.e., conducting a physical inspection as part of the on-site management review process.) The revised version requires the reviewer to only perform follow-up activities for REAC inspection reports;
- Incorporates lead-based paint follow-up activities;
- Outlines the frequency of reviews based on set timeframes and/or project actions;
- Adds a section that discusses the Contract Administrator's role and interrelationship with HUD staff;

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4350.1 Chapter 6

- Clarifies the processes prior to the on-site review for notifying owners/agents;
- Incorporates a discussion on the Desk Review process currently used in the revised HUD-9834, which occurs prior to the on-site review, prepares the reviewer for the on-site review, and reduces the burden on the owner/agent to provide information already available in HUD systems and file;.

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4350.1 Chapter 6

- Provides guidance for communicating the on-site management review results to the owner/agent for consistency with the HUD Desk Monitoring Guide. The HUD Desk Monitoring Guide requires all findings to include the condition, criteria, cause, effect, and corrective action and the form HUD-9834 was revised in 2005 to conform to this requirement;

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4350.1 Chapter 6

- Provides a more detailed set of standards/rating descriptions to apply when assigning the performance indicators (Superior, Above Average, Satisfactory, Below Average, and Unsatisfactory) for each of the seven rated categories;
- Provides a consistent overall rating calculation intended to eliminate major inconsistencies and variances in HUD field office ratings, which were previously discovered during national portfolio reviews;

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4350.1 Chapter 6 REV. 1, CHG. 2

- Places emphasis on limited reviews that should be performed by HUD staff for the insured/subsidized portfolio for projects that are also assisted by HAP contracts and monitored by HUD's Contract Administrator;
- Incorporating actions that should be taken for owner/agent noncompliance issues; and,
- **Removes the requirement that the lowest categorical rating assigned to high-impact review areas serve as the overall rating.**

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MOR Report – Sample Finding

Example Finding:

- **Condition:** The following are examples of deferred maintenance items observed during a walk through of the property:
  - 1st floor hallway – Large hole in the wall.
  - 101C – The walls had peeling paint and some of the bi-fold doors were off their hinges.

- **Criteria:** The HAP Contract number CO99000000 requires the owner to regularly clean and maintain all common areas, equipment and grounds, and make repairs with reasonable promptness.

- **Cause:** Management did not have effective procedures to properly implement the preventative maintenance plan.

- **Effect:** The lack of follow-through with the existing preventative maintenance of the property may have caused maintenance deficiencies. The preventive maintenance deficiencies may have had an adverse effect on marketing of the property causing vacancies and negatively impacting the financial status of the property.

- **Corrective Action:** Provide a corrective action plan on how management will implement and sustain a preventative maintenance plan, which will assess whether repairs are needed and for correcting the deferred maintenance items above.

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MOR Report

- If Below Average or Unsatisfactory, report will be forwarded to HUD
- Appeal rating within 30-days to CA

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MOR Report

- Close–out
  - When all findings are closed you will receive a close-out letter
  - If findings are still open, will receive reminder letters
  - If there is no response the O/A will receive a 10-day letter requiring the MOR be closed out. If no response, O/A will be sent to the HUD PM for enforcement which may include the HAP being held until the MOR is closed out.

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Most Common Findings

- Lease
  - HUD 4350.3 Appendix 4
- Students
  - HUD 4350.3 Paragraph 3-13
- Move-in Inspection Form
  - HUD 4350.3 Paragraph 6-29, C
- Rejected Applicant Letter
  - HUD 4350.3 Paragraph 4-9, C

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Most Common Findings

- Third Party Verifications
  - HUD 4350.3 Paragraph 5-13
- Owner Created Verification Forms
  - HUD 4350.3 Paragraph 5-15, D
- HUD 9887/9887A
  - HUD 4350.3 Paragraph 5-15, C
- Missing Date/Time received on application
  - HUD 4350.3 Paragraph 4-16,

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Most Common Findings

- Waiting List
  - HUD 4350.3 Paragraph4-16 ,D
- Tenant Selection Plan
  - HUD 435.03 Paragraph 4-4, C
- Criminal Background Checks
  - HUD 4350.3 Paragraph 4-7, C
- Not asking if there are Assets disposed of for less than fair market value
  - HUD 4350.3 Paragraph 5-7,G., 8

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Enterprise Income Verification (EIV) MOR Findings

- O/A does not have access to EIV
- O/A is not using EIV for recertifications effective June 1, 2010
- Missing or incomplete EIV documents listed in Addendum C. (HUD must be notified to terminate access to EIV)
- Rules of Behavior for non-system users missing where applicable
- Not complying with Housing Notice H10-10

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EIV MOR Findings

- EIV Data being shared with other entities such as Tax Credit, or RD Section 515 or Service Coordinators
- EIV Data not being kept in a secure manner
- O/A has not updated Policies and Procedures to include EIV
- O/A has not updated Tenant Selection Plan to include use of the Existing Tenant Report

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EIV MOR Findings

- Tenant files do not have documentation to support EIV income discrepancy resolution
- O/A is not using Existing Tenant Search Report
- O/A is not reviewing the New Hires Report
- Unresolved Failed Verification and Pre-screening discrepancies

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EIV MOR Findings

- Deceased Tenant Report has not been reviewed and errors not corrected
- Multiple Subsidy Report has not been reviewed and errors not corrected
- O/A is not following HUD's record retention requirements
- Missing or Incomplete form HUD 9887

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EIV MOR Findings

- O/A is not providing tenants with the EIV & You brochure at move-in and at recertification
- Individuals with access to EIV systems and/or EIV data have not completed annual Security Awareness Training
- O/A sharing access IDs and passwords

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Social Security Numbers

- Regulation
  - Requires that Section 8 Assistance applicants and tenants, excluding tenants age 62 and older as of January 31, 2010, whose initial determination of eligibility was begun prior to January 31, 2010, and
  - Individuals who do not contest eligible immigration status, to disclose and provide verification of the complete and accurate SSN assigned to them.

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Social Security Numbers

- No longer applicable
  - The requirement to disclose and provide verification of a SSN is no longer limited to those assistance applicants and tenants six years of age and older.
  - In addition, the process of having an applicant household certify they have a SSN for each household member six years of age and older, and continuing with the recertification process until the time of their move-in certification is no longer applicable.

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Social Security Numbers

- Exceptions to Disclosure of SSN
  - Individuals who do not contend eligible immigration status
  - Individuals age 62 or older as of January 31, 2010, whose initial determination of eligibility was begun before January 31, 2010

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Social Security Numbers

- Exceptions to Disclosure of SSN Cont.
  - Existing tenants as of January 31, 2010, who have previously disclosed their SSN and HUD has determined their SSN to be valid. O/As may confirm HUD's validation of the tenant's SSN by viewing the household's Summary Report or the Identity Verification Report in the EIV system.

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Social Security Numbers

- Timeframe for Providing Social Security Numbers
  - Applicants
  - Current Tenants

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Social Security Numbers

- SSN Not Previously Disclosed
  - The head of household must bring SSN verification to the recertification meeting for any household member who has not disclosed and provided verification of their SSN.

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Social Security Numbers

- Invalid SSN Disclosed
- The head of household must be notified when EIV pre-screening or the SSA validation determines that a household member has provided an invalid SSN.

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Social Security Numbers

- Assignment of a New SSN
  - If a tenant or any member of a tenant's household is or has been assigned a new SSN, the tenant must provide the SSN and documentation to verify the SSN to the O/A at:
  - (1) The time of receipt of the new SSN; or
  - (2) The next interim or regularly scheduled recertification; or
  - (3) Such earlier time as specified by the O/A.

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Social Security Numbers

- Adding a Household Member
  - (1) Age Six or Older
  - (2) Child Under the Age of Six

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Social Security Numbers

- Acceptable Verification Documents
  - (a) Original document issued by a federal or state government agency which contains the name, SSN, and other identifying information 10 of the individual.
  - (b) Drivers license with Social Security Number
  - (c) Earnings statements on payroll stubs
  - (d) Bank statement
  - (e) Form 1099
  - (f) SSA benefit award letter
  - (g) Retirement benefit letter
  - (h) Life insurance policy
  - (i) Court records

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Social Security Numbers

- Actions Once SSN is Verified
  - Housing Notice H10-10 "O/As may remove and destroy, at the time of recertification, copies of verification documentation…"

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Social Security Numbers

- If an owner decides to remove and destroy copies of Social Security cards, the file needs to be documented with the Summary Report from EIV. This guidance can be found in Housing Notices H08-10 and H10-10. The EIV Summary Report is the only documentation needed when removing and destroying copies of Social Security cards.
- If there is no EIV Household Summary Report and the owner has removed the other SSN verification document (Social Security card), they would not be in compliance with Section IV.D.4 of Housing Notice 10-08 and would receive an MOR finding.

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Social Security Numbers

- Penalties for a Tenant's Non-disclosure of SSN
  - **Termination of Tenancy** – O/As must terminate the tenancy of a tenant and the tenant's household if the tenant does not meet the SSN disclosure, documentation and verification requirements in the specified timeframe as the household is in non-compliance with its lease.

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Social Security Numbers

- Deferring Termination of Tenancy
  - The O/A may defer termination of tenancy and provide the tenant with an additional 90-days past their next regularly scheduled recertification of income and family composition to become compliant with the SSN disclosure and verification requirements

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Helpful Information

- HUD 4350.3 REV 1, Change 3 Occupancy Handbook
  http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4350.3/index.cfm
- Enterprise Income Verification (EIV)
  www.hud.gov/offices/hsg/mfh//rhiip/eiv/eivhome.cfm
- Resident Rights and Responsibilities Brochure
  www.hud.gov/offices/hsg/mfh/mfinfo.cfm
- Your Contract Administrator (CA)
- Handbook 4350.1 Chapter 6, REV-1, Change 2
  http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4350.1/43501c6HSGH.pdf

EIV Resources

- Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs: Implementation of the Enterprise Income Verification System – Amendments; Final Rule
  http://edocket.access.gpo.gov/2009/pdf/E-930720.pdf

- Current Housing Notice, *Enterprise Income Verification (EIV) System; found on HUD's HUDCLIPS Housing Notices Website at:*
  http://portal.hud.gov/portal/page/portal/HUD/program_offices/administration/hudclips/notices/hsg

EIV Resources

- Multifamily Housing EIV Website:
  http://www.hud.gov/offices/hsg/mfh//rhiip/eiv/eivhome.cfm
- Enterprise Income Verification (EIV 9.0) System User Manual for Multifamily Housing Program Users
  http://www.hud.gov/offices/hsg/mfh/rhiip/eiv/usermanual.pdf
- Rental Housing Integrity Improvement Project (RHIIP) website
  http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm

EIV Resources

- Resolving Income Discrepancies Between Enterprise Income Verification (EIV) System Data and Tenant-Provided Income Information
http://www.hud.gov/offices/hsg/mfh//rhiip/eiv/eivhome.cfm
- EIV Multifamily Help Desk
  - Telephone: 202-708-7588
  - Email: Mf_Eiv@hud.gov
- EIV Training conducted on December 16 and December 17, 2008, December 2009 and February 25, 2010; Webcasts
http://portal.hud.gov/portal/page/portal/HUD/webcasts/archives/multifamily

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EIV Resources

- EIV Training conducted on December 16 and December 17, 2008, and December 2009; PowerPoint presentation
http://www.hud.gov/offices/hsg/mfh/rhiip/eiv/eivtraining.cfm
- A Guide to Interviewing for Owners of HUD Subsidized Multifamily Housing Programs http://www.hud.gov/offices/hsg/mfh/rhiip/casestudy/app_4.pdf

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EIV Resources

- HUD Notice H 2010-02 *EIV & You Brochure – Requirements for Distribution and Use*
http://portal.hud.gov/portal/page/portal/HUD/program_offices/administration/hudclips/notices/hsg/files/10-02hsgn.doc
- EIV & You Brochure:
http://www.hud.gov/offices/hsg/mfh/rhiip/eiv/eivhome.cfm
- Rent and Income Determination Quality Control Monitoring Guide for Multifamily Housing Programs
http://www.hud.gov/offices/hsg/mfh/rhiip/qcguide.pdf

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Breakout Session with Contract Administrators