

Section 8: HUD Issues New Policy on Residual Receipts

On August 3, the U.S. Department of Housing and Urban Development (HUD) issued [Notice H 2012-14: Use of "New Regulation" Section 8 Housing Assistance Payments \(HAP\) Contracts Residual Receipts to Offset Project-Based Section 8 Housing Assistance Payments.](#)

The notice sets forth new policy and procedures for projects subject to a new regulation project-based Section 8 HAP contract and outlines the obligations and duties of owners and the responsibilities of HUD Field staff in processing and monitoring the use of this project resource.

This does not apply to all Section 8 contracts, but only to those termed "new regulation" (or "new reg"). Applicability includes Section 8 New Construction/Substantial Rehabilitation projects subject to 24 CFR §§880.205, 881.205, or 883.306, and projects that are subject to both a Section 202 Direct Loan and a new regulation Section 8 HAP contract.

The notice does not apply to Section 202 and Section 811 projects with Project Rental Assistance Contracts (PRAC) and Project Assistance Contracts (PAC).

How do you know if your property is considered "new reg" or not?

"New reg" generally refers to properties that received their notification of selection on or after November 5, 1979; and were issued "new reg" HAP contracts that include language typically phrased as "Withdrawals from this [residual receipts] account will be made only with the approval of HUD [for Part 883 projects of the HFA] and for project purposes, including the reduction of housing assistance payments.").

Check section 2.6 of individual project HAP contract to see if something to this effect has been included. If so, the property is covered by the requirements of this notice.

Covered projects will be permitted to retain the equivalent of \$250 per unit (called an "initial reserve" or "retained balance") plus, if approved, funds needed to pay for a service coordinator. Beyond that, any remaining residual receipts funds "must be applied on a monthly basis to offset Section 8 HAP payments" until the residual receipts account/s balance reaches the \$250 level.

The notice (p. 4) includes specific instructions and codes for a mandatory TRACS voucher process for "offsetting" HAP payment voucher requests for properties with surplus residuals. The FORQ miscellaneous accounting request is nothing new for experienced TRACS users. And a new code (RESR) has been included in the specifications for the coming TRACS 202C upgrade.

According to the notice, this new policy will be effective with vouchers submitted 60 days after issuance of this Notice. This means presumably that November vouchers would be impacted, unless they are submitted prior to October 3.

There are certain questions regarding who will do the actual calculating of and notifications to the PBCA about project total amounts in excess of the authorized retained balance (\$250 plus any eligible additional amounts for a service coordinator) that the notice does not clearly address. LeadingAge will provide additional details once they get them from HUD.