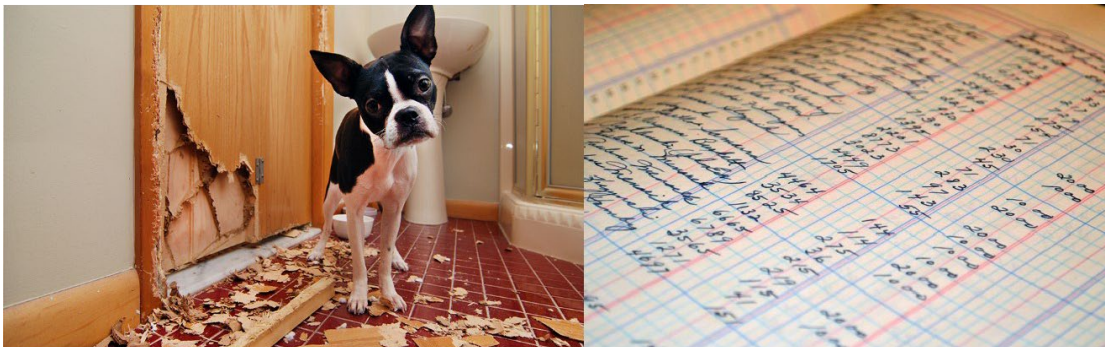




Compiling a Successful Special Claims Submission

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Compiling a Successful Special Claims Submission

Prerequisites

- Participants in this session are expected to have a fundamental understanding of:
 - ◆ Standard move in and move out procedures (collecting a security deposit, performing move in and move out inspections, etc.) for HUD's Multifamily Housing Program as discussed in their tenant selection policies, lease documents and HUD Handbook 4350.3, Rev-1, Change 4, Chapter 6.

Goals

- During this session, participants will learn:
 - ◆ What are the three types of special claims?
 - ◆ Which HUD Forms are required for submission?
 - ◆ Tips for completing the required claim forms correctly.
 - ◆ How to gather supporting documents to facilitate approval of your claim.
 - ◆ How to schedule your claim submissions to maximize your claim monies approved.

Key Regulatory Resources

- HUD has published the Special Claims Processing Guide found at:
https://www.hud.gov/program_offices/administration/hudclips/guidebooks/HSG-06-01.
- Many states PBCAs provide submission instructions and checklists on their websites.



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Types of Special Claims

Vacancy Loss After Rent-Up

- ◆ Compensation for loss of rental income of a unit previously occupied by a household that was receiving rental assistance at the time of move out.
- ◆ The unit vacancy must be for reasons “beyond owner’s control”. For example, a unit is not eligible for a claim if the vacancy was a result of a planned rehabilitation of the unit by ownership.

Unpaid Rent and Other Charges

- ◆ Reimbursement for unpaid rent, damages, or other approved charges that were incurred during the lease and remained pending charges on the vacating resident’s ledger at the time of move-out.

Damages

- ◆ Reimbursement for damages caused by the vacating resident’s abuse or neglect which were found during the move-out inspection and billed at the time of move-out as new charges on the security deposit disposition or final move out statement mailed to the last known address or forwarding address.

HUD Special Claim Forms and Tips for Completing Them Correctly

HUD 52670-A Part 2 is the Schedule of Special Claims (i.e. the cover sheet of the submission)

- ◆ You can list multiple units’ submissions on a single cover page.

HUD 52671-C is the Special Claims for Regular Vacancies calculation form.

- ◆ Most types of properties will only complete Part A (the top section of the form). Only Property Disposition properties will utilize Part B.

HUD 52671-A is the Special Claims for Unpaid Rent and Damages calculation form.

- ◆ This is a combined form used to capture both unpaid rent and damage charges appearing on the ledger at the time of move out.

HUD 52670-A Part 5 is the Approved Special Claims for Schedule of Tenant Assistance Payments Due.

- ◆ This is the form on the monthly voucher that is utilized by the owner to request payment for a previously approved claim via a voucher adjustment.



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- ◆ Owners must not include any special claim adjustments on the voucher until after they have received written approval of the claim from HUD and/or the PBCA and have been issued a unique special claim ID number.
 - ◆ Once a claim has been approved, the owner only has 90 calendar days from the date of approval to include the request for payment on a voucher. Failure to request the payment within the 90-day timeframe results in forfeiture of the approved claim.
-
- 📌 These forms are all available on HUDclips but may also be available to generate from your TRACS compliance software. Most software vendors populate the forms for you, based on previously entered information regarding deposits collected, ledger charges applied, and move out dates.
 - 📌 Document, document, document. Detailed logs, receipts/invoices, and condition pictures make up the strongest documentation for claims.
 - 📌 Make sure, if you are submitting a waiting list to support a vacancy claim, that the list is compliant (contains the required columns) and is audit-friendly – meaning it is clear to the reviewer why households were skipped or removed.

Gathering Supporting Documents to Facilitate Approval

- 📌 DeSilva Housing Group has created sample Owner Submission Checklists for each type of submission. (see following page)



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Checklist for Special Claims for Vacancy Loss

Unit #: _____ BR Type: _____ Move-out (MO) resident's last name: _____ Move-in (MI) resident's last name: _____	
1	Confirm Make-ready (MR) documentation is provided and compare to MR date listed in box # 3 of claim form. MR date listed in box# 3 on claim form _____ MR date confirmed from documentation _____ <ul style="list-style-type: none"> <i>(Per the Special Claims Processing Guide Cha. 3, Section 3-4 “vacancy loss claims may not be paid for the days a unit was being prepared for occupancy.” Therefore, the earliest date a unit can be marked as ready for occupancy is the day after the last MR duty is completed.)</i>
2	Is claim being submitted within 180 days from the date the MR date? If not, STOP , unit is <u>not eligible</u> .
3	Confirm Checklist for Vacancy Loss is included in the submission.
4	(HUD-52670-A, Part 2) Owner/Agent signature provided.
5	(HUD-52671-C) Owner/Agent signature provided.
	<ul style="list-style-type: none"> Confirm the MO of former resident is viewable in TRACS.
	<ul style="list-style-type: none"> Confirm vacating resident was receiving rental assistance at MO. <i>(If assistance was terminated enter “T” on checklist and confirm reason for termination, see below for acceptable reasons.)</i> If termination was due to death or resident failed to comply with subsidy requirements the Special Claim is Eligible. If termination was due to the resident’s income increasing so they no longer are eligible for subsidy or owner purposely vacated the unit to rehab the unit then the Special Claim is ineligible.
	<ul style="list-style-type: none"> Confirm MI of new resident is viewable in TRACS and date is correct in box # 5 on the claim form.
6	MI HUD-50059 for vacating resident denoting the Total Tenant Payment (TTP) at MI .
7	Documentation of Security Deposit (SD) collected (<i>SD disposition may be used for verification</i>) SD collected \$ _____ <i>If the SD was under collected include in line 11. If applicable, SD under collected \$</i> _____
8	Copy of SD disposition or documentation confirming amount of SD collected, the deposit returned and any charges withheld from the deposit for unpaid rent, damages or other charges due under the lease. If MO resident transferred then verification that SD was transferred to new unit may be accepted in lieu of SD disposition. <ul style="list-style-type: none"> <i>(If vacating resident failed to give proper notice to vacate and property kept the SD, then the forfeiture should be included in line 11 <u>only</u> if any funds remain after any unpaid rent, damage, or other charges are deducted from the SD. If applicable, the SD forfeiture to include in line 11 is \$: _____</i>
9	Copy of Waiting List (WL) with the MI resident listed. If an applicant was “jumped” verify the reason for the jump. If MI resident was a unit transfer (UT) a copy of UT WL or UT documentation will suffice.
10	Marketing efforts only required if unit is still vacant or if waiting list is not robust. Copies of invoices/statements of advertising expenses, or copies of actual advertisements with dates will suffice. Management should ensure the marketing utilized concurs with the methods outlined on the latest AFHMP for this property.



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Checklist for Special Claims for Unpaid Rent, Damages & Other Charges

Unit #: _____ BR Type: _____ Move-out (MO) resident's last name: _____		
MO rent on Rent Schedule: _____ MO rent on claim form correct: Y / N		
1		Make-ready (MR) documentation (used by maintenance staff to document progress and completion)
2		If claim is not submitted within 180 days from the date the MR date, STOP , unit is <u>not eligible</u> .
3		Confirm Checklist for Unpaid Rent and Damages is included in the submission.
4		(HUD-52670-A, Part 2) Owner/Agent signature is provided.
5		(HUD-52671-A) Owner/Agent signature is provided.
		<ul style="list-style-type: none"> • Confirm MO for vacating resident is viewable in TRACS and date is correct on the claim form.
		<ul style="list-style-type: none"> • Confirm vacating resident was receiving rental assistance at MO. • If termination was due to death or resident failed to comply with subsidy requirements the Special Claim is <u>eligible</u>. • If termination was due to the resident's income increasing so they no longer are eligible for subsidy or owner purposely vacated the unit to rehab the unit then the Special Claim is <u>ineligible</u>.
6		MI HUD-50059 for vacating resident denoting the Total Tenant Payment (TTP) at MI .
7		Documentation of Security Deposit (SD) collected (<i>SD disposition may be used for verification</i>) SD collected \$ _____ <ul style="list-style-type: none"> • <i>If there was an under collection then the required SD that should have been collected needs to be included in line 1 of the claim form. However, if an over collection took place then the over collection amount should be included in line 1.</i>
8		Copy of SD disposition or documentation confirming amount of SD collected, the deposit returned and any charges withheld from the deposit for unpaid rent, damages or other charges due under the lease. If MO resident transferred then verification that SD was transferred to new unit may be accepted in lieu of SD disposition.
9		Copy of demand for payment letter <ul style="list-style-type: none"> • Letter to vacating resident with itemized list of damages, unpaid rent, and/ or other charges. • Letter contains language informing the resident that <i>failure to pay the sums due will result in the owner/agent hiring a collection agency to collect the debt, and they have right to discuss the charges with the owner/agent.</i> • Documentation that the demand for payment letter was sent certified mail (<i>i.e. copy of the envelope with dated postal stamp or copy of completed return receipt.</i>) If resident did not leave a forwarding address, or no next of kin is provided in cases of a deceased resident, then the letter must still be sent certified to last address.



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10	Documentation showing the matter was turned over to a Collection Agency (<i>i.e., copy of Collection Agency's statement denoting amt owed by resident or copy of Collection Agency's denial letter to owner due to the amount owed was too small to collect.</i>)
	* Damage Claims Only*
11	Copy of inspection form completed at time of move-in to this unit (if transferred need transfer MI inspection). Date moved into this unit (Use this MI date into this unit with MO date to compute term of residency and computer life expectancy rates using this as a guide but confirm through inspection reports or supporting documentation provided for items replaced after MI.) <i>(See Appendix 5D - Life Expectancy Chart in the Special Claims Processing Guide for list of replaceable items. Review inspection form for any items previously damaged or in need of replacement at time of move-in.)</i>
12	Copy of move-out inspection form provided.
13	Itemized list of damages and breakdown of costs to repair damages. (Pest control, carpet cleaning, painting, and dripping pans are typically considered normal make ready duties and should not be included in claim. Items that exceed the normal make-ready duties/expenses may be considered if sufficient evidence is provided.)
14	Documentation of HUD approval for other charges under the lease if the charges were included in the damage claim.

Strategically Scheduling Claim Submissions

- 📌 Per HUD regulations, special claims must be received by PBCA/HUD within 180 calendar days from the date the unit was first available for occupancy.
- 📌 Compiling submissions is not necessarily difficult, but it can be time-consuming and somewhat of a tedious, administrative task.
- 📌 Because of the 180-day deadline, consider submitting “bulk submissions” on a semi-annual schedule (every 6 months) in order to maximize the number of units in the claim and the amount of money sought.
- 📌 Schedule these submissions during months of the year that have the least number of recertifications and other predictable tasks (like budget updates, unit inspections, etc.)
- 📌 Submit claims digitally via email as opposed to mailed submissions to be able to document the date of receipt of the claim if you are nearing the 180-day deadline.

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Creating and Reporting Tenant Subsidy Repayment Agreements



What Prompts a Tenant Subsidy Repayment Agreement?

- Anytime management discovers an overpayment in subsidy, a repayment agreement *might* be necessary. Typically, you discover overpayments in subsidy when:
 - A tenant voluntarily discloses a financial change (increase in income/loss of a deduction), but does so in an untimely manner; OR
 - You discover a potential subsidy overpayment when reviewing an EIV New Hire Detail or Income Discrepancy Report.
- When an income discrepancy is identified, you **must** review the income reported on certifications retroactively 5 years or to the Move-In, whichever is more recent.
 - This 5-year review requirement is for all overpayments of assistance and is not limited to errors found using the EIV system. **(Change 4, 8-21 A.5.)**
- You may discover that there was unreported or under-reported income (by \$200/month or more) on prior certifications or that new, retroactive certifications need to be created.
 - This income **must** be third party verified prior to preparing any retroactive certifications. **(Change 4, 9-10 A.3.)**
 - You cannot take any adverse action (i.e. termination, eviction or repayment agreement) based on EIV data alone, without proper verification. **(Change 4, 9-8 C.)**
- Any original certifications that you are now correcting **must** be properly executed and be in the tenant file.
 - If the owner/management does not have the historical certs in the tenant file, they cannot go back to the tenant to recapture any overpayment of assistance. **(Change 4, 8-21 A.6.)**
 - Be sure that these original certifications are also in your software.
 - If you have changed software products during this time period, you may need to enter “history certs” manually.
 - If these certs are not in your software when you begin processing corrections or retroactive certs, the voucher adjustments/repayment amount calculations will not be correct.
- Once verification of unreported or under-reported income has been received from the source (employer, unemployment, SSA), you **must** immediately give the tenant written notice of his/her responsibility to report income changes. **(Change 4, 7-12.B)**

How to Minimize the Number of Repayment Agreements In The Future

- The frequent need to create tenant repayment agreements can be an indicator of weaknesses in the tenant interview.
 - The best way to stop the cycle of repeated income discrepancies and potential repayment agreements is to improve interviewing and third-party verification techniques to more accurately estimate projected income amounts on certifications.
 - Be sure tenants are aware of (and you have) a written policy defining what is “timely notification” of changes. This should be in your House Rules.
 - Managers need to evaluate: how accurate and complete is the information provided on third party employment verification forms?
- Best Practice:** Ask employers for a 12-month (or more) payroll history report that captures *all* fluctuations in pay versus just the last 4-6 paystubs that may or may not be representative.

Calculating the Repayment Amount

- After processing all of the retroactive certifications in the software, review the voucher that includes the auto-generated adjustments to ensure the net adjustment is accurate and matches your total subsidy overpayment amount used on the Repayment Agreement.
 - When you process retroactive certifications, adjustments will automatically be created on your next voucher. (**HUD-52670, Part 3, Adjustments Page**)
 - The amount can be calculated manually; after all prior certifications (inserted Interims (IR), correction certifications, re-processing of partial certifications) have been completed.
 - If the tenant received too much HUD assistance and wasn't paying enough rent, the sum of the adjustments will be a negative number.
 - These negative adjustments indicate a tenant repayment agreement *may* be necessary (depending on who was at fault for the overpayment (tenant vs. management)).

Who Reimburses HUD for Overpaid Subsidy?

- When the tenant **must** repay overpaid assistance due to unreported or under-reported income, it's the tenant who owes HUD, not the property.
- Repayments to HUD are required when and as the tenant repays. Sites are not required to reimburse HUD immediately for the entire balance up front. **(Change 4, 8-21.B-1.)**
- Properties are permitted to reverse the auto-generated repayment created by the adjustments, even if there is no signed repayment agreement in place. **(MAT User Guide, Section 4.9, page 4-16 (Revision Date August 5, 2014))**
 - If the tenant stops paying and is evicted, or skips out without completing the repayment process, the property does not owe HUD for any remaining balance.
- If multiple adults reside in a unit that requires a subsidy repayment agreement, and the adult that misreported the income leaves, the remaining members of the unit remain responsible for the unpaid balance of the agreement.
 - The tenant acknowledges his/her obligation to make such reimbursements via the lease. All adult members of the unit are required to sign both the lease and the HUD 50059. **(Change 4, 8-21 A.2)**
- The tenant is not required to repay HUD for overpaid assistance if the owner fails to follow HUD's procedures and requirements for computing HUD assistance/tenant rent. **(Change 4, 8-21 A.4.)**

Subsidy Repayment Options

- Tenants can repay in a lump sum, through a Repayment Agreement (installment payments), or a combination of paying a lump sum when the Repayment Agreement is signed and the remainder in monthly payments.
- The total the tenant pays, for a combination of the TTP and the Repayment Agreement, should not exceed 40% of the tenant's monthly adjusted income.
 - If the tenant wishes to pay more than that amount, s/he can.
 - There is **no required minimum** amount; the repayments should be an affordable amount and can be renegotiated when financial circumstances of the household change.
 - There is **no maximum time** for the full repayment period. There are no regulations that authorize owners to limit the term of the agreement.

Required Elements of Tenant Repayment Agreements

- Repayment Agreements **must** include these six items:
 1. **Total retroactive amount owed**, the amount of any lump sum paid when the Agreement is signed (if any), and the monthly payment amount.
 2. **Reference to the lease paragraphs** that show that the tenant is in non-compliance, and that the household may be subject to lease termination (Family HUD Model Lease use paragraph 18 and 23, Section 202 Model Lease use paragraph 14 and 9, PRACs use paragraph 12 and 8).
 3. A clause to **renegotiate the terms of the Agreement** if the household's cumulative income goes up or down \$200/month or more.
 4. A statement that the monthly retroactive subsidy **repayment amount is in addition to rent**, and is payable to the owner/agent.
 5. A statement that **late and missed payments constitute default** of the Agreement, and may result in termination of assistance or eviction.
 6. **Tenant and Management signatures**. (Note: HUD recommends that the Head of Household and ALL family members (18+) sign the repayment agreement).

Rules Governing Payments and Changes to Existing Agreements

- Management cannot apply monthly rent payments to the Repayment Agreement, and all amounts paid by the tenant **must** be deposited into the site's operating account (**Change 4, 8-23.C**)
- Sites may retain up to 20% of each monthly installment amount collected for documented collection costs expended to meet the requirements. The retention cannot exceed actual administrative costs.
- If the tenant defaults on payments, s/he is in lease non-compliance, and eviction proceedings **must** begin.
- If there is a repayment agreement in effect and a tenant is involved in a new instance of misreporting, a new agreement **must** be created that reflects the new instance.
 - Having a new agreement allows HUD and CAs to properly audit payments related to specific instances of misreporting. (**TRACS 202D MAT User Guide, Section 4.9, page 4-17 August 5, 2014 Revision**)
- A Repayment Agreement is a contract; the only provision for revising it is if the household's income changes.