

Chapter Fourteen

RHS Section 515/8

Representing a significant share of the affordable housing in many rural communities, RHS housing projects with Section 8 are not eligible for a debt restructuring under MAHRA. The information below provides additional guidance on the renewal process for these exception projects which is discussed in general in Chapter 6.

- A. Owners of Section 515/8 projects who are requesting a contract renewal under Option 4 pursuant to 524(b)(1) of MAHRA must submit their project budget approved by the Rural Housing Service. HUD staff /CAs are not required to review and approve these budgets. As long as the budget has been approved by RHS, the budget-based rent should be accepted by HUD/CA's. The RHS budget-based rent is the "basic" rent.
- B. HUD/CA will accept RHS-approved budgets reflecting the appropriate 8 percent allowable Owner's distribution on equity or any higher level as approved by RHS as an incentive to the Owner to prevent prepayment. (This is explained in RHS's administrative Notice dated April 12, 1999)

Note: If the Owner of the project is a for-profit who is not restricted by RHS at the State level, HUD cannot and will not limit the owner distributions for the project.

- C. An Owner of a Section 515/8, 236 and 221(d)(3)BMIR project may receive a short-term renewal to align the project's accounting cycle with the anniversary date of the Section 8 HAP contract. The PM/CA will issue a short-term contract covering the months between the end of the current HAP contract and the end of the current accounting cycle (December 31). Upon expiration of the short-term contract, the Owner will be eligible for renewal under the provisions of MAHRA, as described above.

The short-term contract is the Initial renewal under both 524(a) and 524(b) of MAHRA. After the short-term contract expires, the first full subsequent renewal contract will be based on current rents adjusted by an OCAF or RHS-approved budget as described in Chapter Six of this Guide.