PBCA Focus Group Meeting
March 13 and 14, 2002

Wednesday, March 13

Opening

Deborah Lear opened, saying that this was the largest focus group meeting to date. Recalling comments made by Acting Deputy Assistant Secretary, Fred Tombar at the group's first meeting, she said that the focus group provides a platform for Performance Based Contract Administrators (PBCAs) to learn and deal with common issues and offers them a chance to become involved in the policy process as the PBCA initiative moves forward. The purpose of this meeting is to convene the Incentive Based Performance Standards (IBPS) Working Groups, the focus group's latest working project and a further expansion of the partnership between HUD and the PBCAs. She also asked that the PBCAs talk to their CAOMs after each session if they have property-specific issues that need to be addressed.

HUD Update

Cyndy Zemitis said that the first PBCA came on board in June 2000, with 41 PHAs now serving as PBCAs. As of February 26, 2002, PBCAs oversaw 10,234 contracts, representing 710,025 units. Two hundred and twenty contracts have been withdrawn, for a variety of reasons. Currently, 89 percent of the eligible portfolio has been assigned, with more to be assigned this summer.

HUD plans to award 11 additional PBCAs, for States still without a PBCA using the Request For Qualifications (RFQ) process rather than the Request for Proposal (RFP) process. Under the RFQ, the Multifamily Hub Directors have been asked to help identify PHAs willing to serve as PBCAs. The past performance and recent participation of these PHAs will be evaluated, with HUD ranking and rating the applicants after the entire pool has applied. Of the 11 areas still needing a PBCA, at least 7 states have entities which have expressed an interest.

Out in the field, 34 annual compliance reviews have been completed, with 2 more scheduled this month. The findings for 17 PBCAs have been closed. Five PBCAs had findings related to management and occupancy reviews and problems with data not being entered into the system. Five or more PBCAs had findings related to rental adjustments, voucher review, non-life threatening health and safety violations, expiring contracts, and follow-up on physical inspections. Four had no findings.

In three months, the PBCAs in Michigan and South Dakota will have been on board for two years. As PBCAs complete the first two years of their contracts, new administrative fees will be calculated. The new fees for PBCAs hired from June 2000 through September 2000 will be based on the FY 2002 FMRs. For PBCAs that were hired starting on October 1, 2000, the new fees will be based on FY 2003 FMRs. New fees will be set for each of the third, fourth, and fifth years of the current PBCAs' contracts, using the same methodology.

In other news, HUD staff is currently working on revising the guidebook, and the results from these working groups will be used to help in the revisions process. In the IBPS group discussions, PBCAs should raise outstanding issues currently not covered in either the ACC or the guidebook. Ms. Zemitis also told participants that she and Lanier Hylton will soon be swapping positions, and she expressed appreciation to the PBCAs for the work they have done.

Ms. Lear gave an update on the FHEO component of the management review. She said that HUD is making progress on developing a new FHEO checklist, and that final comments were sent to FHEO last week. Housing and FHEO have worked to set protocols for HUD staff, PBCAs, and FHEO in monitoring and enforcing fair housing compliance. PBCAs will still be doing the onsite monitoring and review of 504 compliance as part of their management reviews.

HUD has tried to make the new form "walk through." It includes a list of documents to be checked onsite. Once the checklist and supporting documentation is forwarded to HUD, that's it—FHEO will review the material and send any comments through HUD staff.

On the management review form, Ms. Lear said that HUD is much closer to completion. There were significant changes made after the first public comment period, so the form will have to be put through the public comment process again. It will include a desk review portion that will be used by HUD/PBCAs to monitor data already in the system. HUD has combined the new form with one used by HUD staff in their monitoring duties; an asterisk will indicate areas on the form for which PBCAs are not responsible. To aid consistency and uniformity in the conduct of management reviews, two addendums have been created—a tenant file review worksheet, and a list of documents to be checked onsite as part of a management review.

At the last focus group meeting, Steve Martin had asked the PBCAs and Contract Administration Oversight Monitors (CAOMs) to forward any suggestions they had on the content of reports generated from data in the automated systems. While the CAOMs have been heard from, the PBCAs have not responded. Ms. Lear asked that they e-mail chousing@hud.gov with any suggestions they have for information that should be contained in the canned reports to be made available to them.

Regarding physical inspections, Ms. Lear told the group that owners have three days to respond to and correct health and safety violations identified by REAC. A list of EH& citations can be found on the REAC web site. PBCAs should review the web site as part of their monitoring duties, and contact owners and follow through on health and safety violations. In addition, IBPS 16 asks PBCAs to work with owners on corrective action plans and MIOs and follow through, as needed, until conditions are corrected. During the course of onsite management reviews, PBCAs should check to verify that the owner has made the repairs that he has certified he made. And while PBCAs are not conducting physical inspections as part of the management review process, they should also write up any extreme conditions they observe during their walk through of the site.

Question: Should we be reviewing every notation on the REAC inspection, or a sample? [Ms. Lear: A sample, but check on the owner's certifications to make sure he has done what he said he did. It's important to note, too, whether problems you might observe while onsite are recurring (such as dead batteries in a smoke detector) or indicate a fraudulent certification by the owner.]

Question: What if there's no REAC score (referring to the REAC waiver for properties that score well from inspection every year)? [Ms. Lear: If you note a condition during your walking tour of the site, write it up.]

Question: On EH&S citations—do we do immediate follow-up or wait until the management review? [Ms. Lear: Conduct remote follow-up immediately. The management review provides an opportunity for onsite verification with the information the owner previously provided.]

Question: Do PBCAs have follow-up responsibilities for non-EH&S citations? [Ms. Lear: Yes.]

Question: George Caruso: Window air conditioners are still considered an EH&S citation when they're blocking a room's only exit other than the door. NAHMA, however, refuses to march in and tell owners to remove them. What will happen on management reviews if owners don't remove them? This is an unresolved issue—right now, OGC is tending toward requiring removal, but otherwise they're at a stall. Many projects have no money to fit sleeves, and we have to ask how dangerous the heat buildup is. Should residents be given notice that the air conditioning is coming out? There's been no reply from the lawyers. NAHMA has advised owners to send a letter to HUD saying that they're not going to fix the condition, and to please advise. We'll need to punt until we have time to solve it, but in the meantime, owners and PBCAs are in the middle. [Ms. Lear: I'll have to check with Multifamily Housing and see where they are on this.]

Question: Typically, we verify level 2 and 3 physical inspection findings and all EH&S citations when we conduct our management reviews. If the REAC inspection was done in January and our management review was done in March and we found some conditions uncorrected, is it acceptable to issue a notice to the owner citing what hasn't been done and reminding him that he has one year to certify? [Ms. Lear: Yes, if the property isn't tied to a plan (the timeframes for some of the repairs might be different including EH&S which is three days).]

Question: Owners are allowed to appeal REAC scores as part of the so-called database adjustment. Copies of the appeal go to the field office and to the PBCA. Our understanding is that the field office is supposed to make recommendations on the appeal, but our field office wants the PBCA to do it. [Ms. Lear: You're not responsible for that—the PBCA is copied for information only.]

Question: We have a property with a mold problem. A testing agency was sent to check a unit after the residents called, and it found that the tenants were keeping the unit at 80 degrees, with 85 percent humidity. The testing agency called it a housekeeping problem and said that there isn't a defect in the project's design. Now HUD wants the entire property tested for mold. Can the owner be forced to retest? [Ms. Lear: We don't even have a mold policy. We'll have to follow up on this.]

Question: Is there any progress on reconciling the refund of advance money? [Ms. Lear: Eileen Walker will talk about this during her presentation.]

Question: After the first contracting period is over, how do you intend to solicit new PBCAs? Are you going to issue an RFP? [Ms. Lear: Not sure, we will have to get back to you with the information.]

IBPS Working Groups

Ms. Lear reviewed the task assignments for the IBPS working groups. She said that each of the administrative areas are represented within the groups: PBCAs, Headquarters, and CAOMS (representing HUD field office staff and the Section 8 teams). There are some areas that engender more participation (such as management reviews), so not everyone's request for assignment to a specific group could be accommodated. The handout distributed at the meeting includes a list of people assigned to each group, though some people were absent from the meeting.

Ms. Lear said that the working groups should hash out the issues and discuss the alternatives, with their recommendations eventually being submitted in writing to Headquarters. They were asked to report on their progress the next day and set a timeframe for making their final report. Even after their work is done, however, HUD would like the working groups to serve in an advisory capacity on related issues in the furture. Members will have familiarity with the topics and help serve as HUD's "institutional memory" as policies evolve.

The handout also included areas on which the working groups should focus. Ms. Lear reviewed the focus points:

- *Performance Based Annual Contributions Contract language*: The groups should not change the process or content of the ACC, but there are some corrections and adjustments to verbage to be made. For example, PHA year needs to be changed to PBCA year as it relates to the timing of the work plan. The revised guidebook will redefine the ACC within policy areas. In addition, there is no IBPS 8 (income verification), which will be handled through the Rental Housing Integrity Improvement Program.

- *Establishment or clarification of timeframes for applicable partner (PBCA, HUD) and establishment or clarification of timeframes for REMS input as applicable*: The guidebook currently doesn't clarify these issues on either side of the house.

- *Systems enhancement*: Do the PBCAs need canned reports devised for their use?

- *Revisions to the PBCA Guidebook*: What's in the ACC needs to be made explicit in the guidebook.

- *Reporting requirements*: Can reporting requirements be collapsed and made more concise?

- *REMS input clarification by screen and data field*: Should this be included in the PBCA Guidebook? (It's already in the REMS Guidebook.)

- *Consistency and uniformity of direction between Hubs and program centers, PBCAs*: This is a big issue—we need to figure out how to best do things.

- *Full implementation role*: What are the expectations of PBCAs as they transition to full implementation?

- *Work product expectation*: Quality versus quantity is an issue. There are differences in the field office's responses to acceptable quantity versus acceptable quality; we need to spend time on the quality issue and nail down a more standard set of expectations.

- *Clarification of processing timeframes for both PBCAs and HUD staff when both entities have processing responsibilities*.

- *Reporting and monitoring requirements.*

- *Additional issues to be put on the table*.

Comments from a participant: 1) There are inconsistencies between the ACC and the guidebook, a source of concern with our lawyers. The ACC needs to be amended to allay these concerns. 2) There are inconsistencies on how rent adjustments are handled, a source of unhappiness among owners.

Question: Fidelity bonding requirements (one month of housing assistance payments) are excessive—the window of liability is not that large. The amount seems arbitrary—could it be lowered? When housing assistance payments are large, the cost of obtaining the bond is outrageous. [Ms. Lear: The amount of the bond was set somewhat arbitrarily. We'll take that back to the office and have a conversation with legal counsel.]

Question: In the working groups, is it fair to discuss the expectation (not yet set) that TRACS entry accuracy be 100 percent? [Ms. Lear: That should be discussed.]

Participant: As these standards are set, we should be allowed input into the discussions that take place before the decision is made.

Ms. Lear told participants to select a leader for their group who will serve as a central point of contact and moderator and who will keep the effort moving forward. Each group should also select a recorder/secretary to develop the report to be sent back to HUD. Participants concerned about issues not covered by their group should forward those issues to the appropriate working group.

Question: To follow-up on the recorder/secretary's assignment: how detailed should the report be? [Ms. Lear: We only want to see the end product. It's up to the group to manage the process and task participants.]

Question: Will there be deadlines set? What follow-up will there be? [Ms. Lear: Check in tomorrow for timeframes—some groups have more work to do and will take a longer time to produce recommendations.]

Comment: We are spending a lot of time and money to come here and would like to ensure that we get return on our investment. We need to have the policy reformulated and are willing to accept deadlines to get the job done. [Ms. Lear: We will make a commitment to move on the recommendations when we get them. Ms. Zemitis commented that some of the groups' recommendations will impact other units within Multifamily Housing, such as Asset Management, and the reports will have to be shared with these units before action can be taken. Ms. Lear added that HACAO can't change other units' protocol, and that HACAO will have to make the system work within its constraints.]

Question: Will there be a reporting session tomorrow? [Ms. Lear: We'll have a recap of each group's discussion tomorrow.]

TRACS Update

TRACSMail and 201B

Bob Wilson gave updates on the conversion to TRACSMail and TRACS 201B. He said that switching from Sprint Mail to TRACSMail has been a rocky road, and that while TRACSMail was supposed to be transparent to Sprint Mail users, over the course of implementation it has become increasingly opaque. While Sprint Mail will be unplugged at the end of March, it will be difficult to switch everyone over by that time. There are a number of complicating factors:

1. The TRACS Hotline, and its staff of five, has been overwhelmed with calls. Many of the calls concern problems with other (proprietary) software. The first line of questioning in these cases should be the appropriate software vendor.

2. The TRACSMail send-back address for return messages has been a source of many problems. With Sprint Mail, the sender's address was used. With TRACSMail, the send-back address has to be set up in the profile, and if it's not a valid TRACSMail address (as opposed to a regular e-mail address), the return message will go into limbo.

3. Not everyone received their TRACSMail IDs and passwords when they were first sent out, and a contractor has been hired to assist owners and agents obtain IDs and passwords. In addition, contract administrators can send Sprint Mail addresses (for the properties whose contracts they're administering) to Mr. Wilson to obtain TRACSMail assignments.

4. The Delegated Administrator feature within TRACSMail has problems and shouldn't be used. It is, among other things, a device through which users can change their password after they receive their TRACSMail assignment. Until the feature is fixed, users should not try to reset their passwords, or they'll have to contact the TRACS Hotline and have a new password assigned. If users are able to sign on using the ID and password they were originally assigned, they will be able to transmit data through TRACSMail.

5. Data is being mistakenly sent to TRACMTEST, rather than TRACMPROD, or vice versa. Data sent to TRACMTEST goes into the test cycle, while data sent to TRACMPROD goes into the production cycle.

In other updates, Mr. Wilson told participants that release 201B data will be run on Wednesday nights, and to be accepted by the system, must be sent through TRACSMail. Users will get the output back on Thursday. As the changeover to 201B draws nearer (May 1 is the deadline), 201B runs will increase, while 201A runs decrease.

Comment from a participant: PBCAs need another 201B cycle per week—following the current schedule, there might be a time lag of 9 to 10 days between transmittal of the voucher and payment to the owner. Can PBCAs meet the requirements of the IBPS with these time lags? [Mr. Wilson: There is a tradeoff between 201A and 201B—it can't be run at once, so we'll need a weekend cycle to accommodate the need for more than once-a-week processing. Vouchers are put in line for payment by LOCCS as they're processed—if they're processed before the end of the month, they'll be included as part of the first of the month payment from LOCCS.]

Comment: But if the cutoff for owner transmissions is the 25th of February (for example), and the PBCA transmits to TRACS on the 25th, the voucher won't be processed by the end of the month, and the owner won't get paid.

Comment: We will have to identify 201B files coming in, and change the order in which they're sent to TRACS to ensure that 201B files are processed in time. [Ms. Lear: If you miss deadlines due to factors beyond your control, document the incident.]

Comment: Owners are supposed to submit by the 10th of the month—is this even an IBPS issue? You have 20 days to process it from there.

Comment: OAs often don't meet their deadlines—they have to be retrained from the old days, when they could submit at the 11th hour and still get paid. Is there any way 201A and 201B can be run at once? There's a real problem at the end of this month (pay day falls on the 29th)—could the run that week be scheduled for Monday? [Mr. Wilson: It can't be rescheduled at this meeting, but we'll look into it.]

Comment: The CAOM who said that this is not an IBPS issue is right—owners are required to submit on time, or we cannot be held accountable for late payment. [Ms. Lear: Your interpretation is correct.]

Comment: We still loose time in processing if transmissions aren't processed as they're received.

Comment: We have always stressed to owners that we need vouchers on the 10th to allow time for processing. Moreover, if we don't get the money from HUD on the 1st, we can't send it out—we do it when we get it. We can't be held accountable for late payment in that case, either.

Comment: This will still result in vouchers that were submitted on time not being paid. It takes more than 10 days for PBCAs to process vouchers.

Comment: If it's HUD's delay (caused by once-a-week processing), it's not an IBPS issue.

Lanier Hylton: That's correct, but we'll look into a weekend run. We intend to focus on scheduling a weekend run to ensure timely payment, not penalizing owners who have switched (as they're required to) to 201B. The negative impacts should be confined to owners who have submitted their vouchers late.

Comment: Software vendors could also write a conversion program by which a PBCA could convert a 201B voucher back to 201A and ship it off for processing.

Comment: During the problems encountered when Sprint Mail was implemented, we had owners send us a fax whenever they transmitted; now they also indicate whether the voucher is 201A or 201B.

Comment: We have only 34 business days left before final implementation of 201B. Of the big four software vendors, only one has shipped half its orders. Processing issues will be a big problem, and we'll need a huge push to get 22,000 sites from where they are now to where they have to be.

Mr. Wilson told participants who wish to contact HUD staff not to send their messages to TRACMTEST or to TRACMPROD, but to TRACMHelp@TracsMail.hud.gov.

Messages sent to the test or production databases aren't read—only the data in the attachment is processed. 201B data sent into production last Wednesday night processed with few hitches, and the failures that did occur were predictable. A heavy run was expected for the second 201B processing batch (that night). Mr. Wilson encouraged users who experience anomalies in either test or production runs to contact HUD to troubleshoot the system.

Question: The contractor engaged to help with the IDs and passwords has been shutdown over a funding issue and the hotline isn't working. [Mr. Hylton: The problem will be resolved this afternoon or tomorrow morning—it's on the Commissioner's desk.]

Question: What's the phone number for IDs and passwords? [Mr. Wilson: 1-800-685-8470.]

New TRACS Reports

Judy Lemeshewsky told participants that new reports drawn from the TRACS database will be moved to the Internet and HUD Intranet effective with the next REMS release (about April 26). Currently, there are two canned reports available: the Certification Query and the Voucher Query. Four more will be added: the Move-in/Move-out Query, the Multiple Occupancy Query, the Project Evaluation Report, and the Verification Query.

- The Move-in/Move-out Query shows turnover activity in a project. The database can be queried by project or contract number, with the output downloadable onto a PC or viewable on the browser. Users specify a range of dates to see the turnover activity during that time period.

- The Multiple Occupancy Query shows units occupied by more than one assisted household, or one assisted household occupying more than one unit. The database can be queried by project or contract number, with the output downloadable onto a PC or viewable on the browser. The query will help identify cases in which a move-out hasn't been properly processed.

- The Project Evaluation Report will help QC data in TRACS for errors. It shows changes in assets greater than $500 or 20 percent, no income reported, no assets reported, Section 8 total tenant payments of less than $25, or elderly residents with no medical allowance. The database can be queried by project or contract number, with the output downloadable onto a PC or viewable on the browser.

- The Verification Query shows data such as income limits and the number of people in a bedroom. The data can be sorted by last name, unit number, or the number of bedrooms, and it will help users verify (for example) that OAs have put rent increases into effect. The database can be queried by project or contract number, with the output downloadable onto a PC or viewable on the browser.

Question: Can assisted households living in more than one unit be identified across projects? [Mr. Wilson: Yes. The query first finds the social security numbers of heads of household within the project you're checking, then cross matches them across the entire database.

Comment: We have a continuing problem with elderly couples claiming units with an extra bedroom, citing dubious medical reasons. [Ms. Lemeshewsky: We are attempting to resolve this issue with fair housing attorneys.]

Question: Has there been any work on calculating vacancy payments? [Ms. Lemeshewsky: It's part of the change in the handbook, due in August. The special claims worksheets have to be changed as well. Part of the issue has to do with defining procedures when a 60-day period spans three calendar months.]

Question: What do we do when the only social security number we have on file is 999-99-9999? [Ms. Lemeshewsky: Does the resident have a temporary social security number (until citizenship is obtained)? Or can HUD ask for their alien registration number? If so, those ID numbers should be used.] Participant: Legal residents can get a social security number, but they can't be compelled to get one. [Ms. Lemeshewsky: We need to get the regulation changed, including our ability to ask for an alien registration number.]

Question: As you revise the handbook, could you track changes to it? [Ms. Lemeshewsky: This is a complete rewrite; chapters have been reformulated.]

Mr. Hylton promised participants that Headquarters will follow-up on the problem of missing social security numbers, but he said that he isn't confident that the issue can be brought to closure. In addition, the Special Claims Guide has been approved, but not released. A satellite broadcast will be held within the next 30 to 40 days to solicit comment before it is made final.

Mr. Hylton also announced that he had relaxed, for the time being, the requirement for OAs to submit their vouchers to PBCAs via TRACSMail (although PBCAs must submit to HUD using TRACSMail). TRACSMail transmission will be required at some future point, however—it is a closed, secure system through which sensitive data can be transmitted without encoding. If data is sent to CAs using other means, CAs will have to work out a security arrangement with the OAs so that the data doesn't get out to the public.

The original group of (non-performance based) CAs will be asked to use TRACSMail as well. In time, the only difference between the original CAs and the PBCAs will be the form of their ACC contracts. Among other things, the original CAs should ensure that vouchers submitted to HUD are based on tenant certifications. HUD will be developing a timeline within which the original CAs must come into compliance with the standards now in force for PBCAs. A summary of the TRACS Industry Meeting (held on Monday and Tuesday), noting outstanding issues, will be distributed to participants and a series of conference calls with different groups (e.g. CAs, vendors) will be held.

Comment: The scope of work between the original CAs and PBCAs is different. Old CAs are asset managers in a way PBCAs aren't. [Mr. Hylton: Their requirement to review certifications and submit vouchers based on those certifications is the same.]

Question: Are you going to set a date for final migration to TRACSMail? [Mr. Hylton: Yes.] Participant: Will the old CAs be allowed to keep their encryption systems? [Mr. Hylton: Yes.] Participant: We need to have TRACSMail standard for every user. [Mr. Hylton: OAs may send data to CAs using whatever method they have devised, but CAs must use TRACSMail to send data to HUD.]

Question: Is there still the intention to go to the Internet? [Mr. Hylton: It would be wishful thinking to try to maintain the 12-month deadline, but it's still the plan to migrate to the Internet. The driving objective is business process re-engineering. Most of the data we work with is generated at the project level, and we are planning to move toward an e-government solution.]

Mr. Hylton told participants he is looking forward to working with them after he and Ms. Zemitis switch positions, and said that while they will find that they won't always get the answer they want, they will understand why he made the decision.

Thursday, March 14

Group Report Outs

Group 1: IBPS 1 and 2, Management and Occupancy Reviews and Documenting Owner Civil Rights Compliance

Issues to be addressed in the final recommendations and report:

- The scheduling of management reviews—there is currently wide variation between PBCAs and CAOMs. A subgroup has been formed to study this topic.

- REMS—currently PBCAs and CAOMs have different REMS screens, which can result, among other things, in multiple entries. In addition, compatible Internet access will be recommended and attention paid to making sure reports can be run.

- The revisions to 4350.1 must be added to the contract administration handbook.

- There needs to be clarification of the issues to be addressed with owners following physical inspections. In addition, there needs to be a standardization of information between the guidebook and the handbook, and better definition of EH&S actions (e.g. what is the finding, what is the recommendation, and what authority do CAs have to enforce corrective action). An EH&S subgroup will address this topic.

- On management reviews, what kind of scoring or rating can PBCAs use? Can the CAOM direct scoring or rating systems not to be used (e.g. certain categories, etc.)?

- How does the management review affect enforcement? Referral of a property to the EC is often not communicated to the PBCA. A subgroup will address this topic.

- There are conflicting standards on signing off on an unsatisfactory rating; does the CAOM review below-average ratings?

- Who handles appeals of management reviews and what items can be appealed?

- The management review form needs to be revised. For example, PBCAs do not review financial management—the form should be changed to read "rent collection procedures" or the like.

Although not related to management reviews, the group also discussed PBCA appeals and cases where a PBCA is earning neither incentives nor disincentives, how to develop better mechanisms for work product expectation, and working to ensure that CAOMs all have the same answer to the same question.

The group anticipates making its recommendations within 90 days.

Ms. Lear commented that the working groups should flesh out their recommendations in detail, including policy proposals. HQ staff and CAOMs are a part of the group and should be used to help develop policy.

Group 2: IBPS 3, Processing Rental Adjustments

Group 2 formed two subgroups to handle the three administrative variations on processing rent adjustments, namely, those based on: 1) OCAFs and AAFs, or 2) budget based. They estimated a 90-day time table to finish their recommendations, with most of their work coordinated through e-mail.

With respect to OCAFs, the group has identified issues concerning:

- Preservation/rent adjustments—how should they be handled?
- Multiyear contract adjustments—owners believe they should be automatic.
- Developing consistency in the rounding protocol.
- Awarding precedence to the rent comp studies in REMS—should the owner's or HUD's be used if both are entered?

With respect to AAFs:

- Does a rent comp study need to be done every year? In view of the expense of redoing the study, could the current study just be updated to reflect new conditions?
- Inconsistent timeframes for putting rent adjustments into effect need to be rectified.
- Special rent adjustments need to be addressed.

With respect to budget-based adjustments:

- The utility analysis requirement needs to be reviewed.
- The timing and consistency of rural development processing needs to be addressed.
- How is the accuracy of rent schedules verified, including when some units are non-Section 8?
- What are the owner's responsibilities for submission?
- The treatment of residual receipts needs to be addressed.

- When an owner's and a CA's rent increase estimate varies, does the CA have the authority to award an increase greater than what the owner is requesting? How does this work with co-ops?

A participant suggested one more item to be addressed: some field offices use homemade Excel spreadsheets, with field office devised flags, to calculate adjustments. When CAs don't use the field office's conventions, trouble often ensues. Should CAs be forced to use field office rent adjustment methods/tools, even when they're irregular vis-à-vis other HUD standards?

Group 3: IBPS 4 and 5, Owner Opt-out Notices and Contract Terminations and Owner Opt-out and Contract Termination: Submit Resident Data to HUD

The group discussed the merits of project-based versus tenant-based Section 8 and the possible benefits contract administration could offer owners to prevent them from opting out. The group formed subgroups to focus on six topics:

- Developing clarity and consistency across Hubs and across documents.
- Better defining incentives and disincentives.
- Better defining ambiguous terms.
- Designating a central place to handle opt-outs.
- Developing a framework for detailing the steps and timeframe for handling the IBPS items having to do with opt-outs or renewals.
- Developing standards for REMS input—what should it look like?

The subgroups will report back to the team in mid-April with their initial work product.

Group 4: IBPS 6 and 7: Review, verify, and authorize monthly Section 8 vouchers and Notice of Corrective Action

The group identified the following issues:

- 100 percent accuracy—what does it mean, and can it be done? What corrective action or disincentives will be applied if it's not met? And (as posed by Mr. Hylton when he joined the group), does TRACS have to edit (or verify) tenant data sent from the PBCA?
- The new handbook needs to define how late recertifications should be handled.
- Can the 20-day requirement for vouchers submitted after the 10th of the month be corrected? Do the owners have a part in ensuring the timeliness of processing?

- What does corrective action mean in terms of IBPS 7? The group felt that standard adjustments do not fall under IBPS 7, and that corrective action should be confined to large adjustments that will have a substantial financial impact on the owner and necessitate an immediate note to the CAOM.

The group promised its report by the next focus group meeting.

Group 5: IBPS 9 and 10: Life-Threatening Health and Safety Issues and Non-Life Threatening Health and Safety Issues

The group discussed the following issues:

- What should be entered into REMS with regard to health and safety items, as opposed to general inquiries?

- If general inquiries are to be entered, the group would like to see systems enhancements, such as project action screens.

- Greater definition and clarity is needed on what is a life threatening, as opposed to a non-life threatening, health and safety issue. Is the REAC definition being used?

- Developing consistency between the Hubs.

The group plans to finalize its report by the next focus group meeting (90 days).

Ms. Lear commented that the next meeting is likely to occur way beyond the 90-day deadline.

Group 6: IBPS 11 and 12, Budgets, Requisitions, Revisions, and Year-end Statements

The group made the following recommendations:

- PBCAs should do a yearly budget for each Section 8 contract.

- Budget estimates should be prepared 90 days before the beginning of the fiscal year.

- Requisitions based on the estimate should be entered into LOCCS 90 days before the beginning of the fiscal year.

- Headquarters should use the amount shown on the requisition to estimate funding need.

- Initial requisitions for newly-assigned Section 8 contracts should be approved by the CAOM. Subsequent requisitions may be referred for review, but do not need to be approved.

- Since the conversion from estimated to actual voucher payments, the need for year-end settlements has been eliminated. PBCAs should be required to do one last year-end statement for each contract. It should include HAP amounts only, with interest on the funds reported separately. Year-end statements should be submitted to the CAOM within 45 days for approval. (The group devised a form for year-end statements it would like to see posted on the CA website.) In the case of overpayment, PBCAs should remit the extra money to the Fort Worth Financial Management Center. In the case of underpayment, the Fort Worth Financial Management Center should refund the PBCA. Excess interest earned on HAP funds should be certified by the PBCA, with the money sent to the U.S. Treasury.

- If the requirement to report interest isn't statutory or regulatory, should it be reported in cases where actual payments are being made to PBCAs? If so, when the interest earned reaches what dollar amount?

The group said it would have its report ready in six weeks.

Group 7: IBPS 13, Public Housing Agency Audit

The group's discussions focused on the following points:

- Developing consistency and uniformity in the audit process and in the final product to be sent to HUD.

- Clarifying the reporting requirement and what steps should be taken during the audit process.

The group intends to survey CAs (and perhaps some CAOMs) to see what results they've had on audits that have been conducted. Following an analysis of the survey, the group will recommend to Headquarters language for OMB Circular A-133 concerning performance-based contract administration. Participants will be contacted with the results of the survey in about six weeks.

Group 8: IBPS 14, Renewals of Expiring HAP Contracts

The group looked at the contract renewal process, with particular focus on:

- The funding issue and timeframes.

- Entries into REMS—what is acceptable?

- Reporting requirements.

- Defining what is a complete and acceptable package for contract renewals.

The new policy that allows contract renewals to be processed without funding and forwarded to Fort Worth, will help PBCAs meet the 60-day timeframe they have to follow-up on an owner's request for a renewal. Eileen Walker will be confirming the new policy in writing within the next couple of days.

To correct a misunderstanding of the data in REMS, common among PBCAs, PBCAs and CAOMs will be asked to help identify the fields in REMS relevant to expirations and renewals and describe what they mean in terms of reporting requirements. A correct way to process and review the data will be devised.

The group will finish its report within 90 days.

- After the presentation, a group member added that they will also be discussing what to put into the work plan for renewals.

Group 9: IBPS 15, General Reporting Requirements

The group's goal will be to eliminate redundancy while providing accurate and timely data to HUD in a standardized format. Currently, the ACC requires annual, monthly, and quarterly reports, and the monthly invoice submission. The group made several preliminary recommendations:

- Eliminate the quarterly report—the information is already included in the monthly report.

- The annual work plan was intended to include only schedulable items, which at this point includes only the MOR and FHEO. Other monthly activity items could be incorporated into the monthly report, with a tracking report included to help follow them.

- Avoid submitting anything with the monthly invoice report that's already been submitted. It could include just the transmittal log, the invoice, the corrective action log, and ACH information.

- Make the template for the monthly activity status report consistent. On the narrative portion of the report, the topic headings are good, but it should be left up to the CA where these headings should fall within the narrative. The "hot topics" heading has been a catchall for a number of issues. An area that's program specific should be segregated from the majority of hot topics, which are property specific. The Hubs should look at the hot topic narratives and forward them, as appropriate, to Headquarters, while providing feedback on the submission to the CA.

- HUD should provide feedback to the CAs that the monthly invoice has been approved, and it should call if it hasn't been.

The group has scheduled a conference call during the first week of April to continue work.

Group 10: IBPS 16, Monitoring Physical Inspection Results

Group 10 asked participants to e-mail any issues they have concerning physical inspections to them in time for their conference call on April 9. They expect to have their recommendations ready within 90 days, centering around the following issues:

- Receiving REAC communications—some PBCAs haven't been getting the Thursday report.

- Receiving copies of appeals—the group would like notice of an appeal and REAC's response sent to CAs.

- Abatement of rents when an owner fails to respond to EH & S citations issued by REAC. Do CAs have authority in this area? Do CAs need approval from HUD to abate rents? Is the abatement contract wide, or by unit?

- What is the CA's responsibility both before and after a property is referred to the DEC?

- According to Section 7.7 of the guidebook for Section 8 contract renewals, rents cannot be set at an amount greater than 125 percent of FMR if there is an outstanding MIO or Corrective Action Plan—this provision should be deleted.

- What follow-up actions on a physical inspection are PBCAs required to take? What requirements are there at specific score levels? What is the extent of follow-up?

- Blocked egress from air conditioning units or window bars—should this be an EH & S violation?

- Limitations on characters in REMS.

- When can a CA close out an item in REMS, such as when a new REAC physical inspection is issued and there is still an outstanding MIO or Corrective Action Plan? Will close out on the physical inspection close out the MIO or CAP?

- How to deal with troubled properties.

Noting that focus group meetings have not been held quarterly (as originally intended), Ms. Lear said that a 90-day deadline for recommendation packages to be sent Headquarters seemed a workable solution. A participant asked if a list of team leaders could be made available; Ms. Lear said that it would be ready within the next several days.

Financial Operations

Eileen Walker told participants that a visual presentation depicting the funding process and the relationship between databases will be posted on the web site. It was shown earlier in the week to the TRACS Industry Meeting and the CAOM group.

Year-end Settlements

In an update on financial operations, Ms. Walker said that there may be imbalances for the period before the institution of direct billing in April 2001, affecting CA fiscal years 2000 and 2001. CAs who are affected will need to submit a year-end settlement detailing how much the CA received in funds to be paid to owners and how much it paid out. The process will be the same for most contracts, although there are special handling procedures for 202s with mortgage offset. Once procedures have been finalized, information will be forwarded to the CAOMS and CAs. Essentially, CAs who owe funds to HUD willsend a check to their CAOMs, who will forward the money to the Fort Worth Financial Management Center. HUD will make a special payment if the CA is owned. CAs are also responsible for reporting interest they earned on Section 8 funds, and sending HUD a check for that amount, which will be forwarded to the U.S. Treasury. In subsequent years (those after direct billing started), CAs will still need to account for interest, although the amounts will probably be negligible.

Question: Can't the interest be applied to the contract? I though that's what had been discussed in the working group. [Ms. Walker: If the funds were held in a central account, they will have to be prorated for all the contracts. We'll talk about this issue with the working group a little more.]

Contract Renewals

Ms. Walker said that a number of issues have been disrupting the flow of funds. There have been complaints of missed payments, sometimes going back as far as September or October, but on investigation it has been found that these missed payments are not due to lack of funds, but to continuing problems with synchronization of the process and other issues.

Ms. Walker told participants that if an expiring contract stipulates that payment is "subject to the availability of funds," that CAs should go ahead and prepare and execute a contract renewal 45 to 60 days before the expiration date of the current contract. CAs should follow-up to see when additional funds will be provided, including reviewing ACC transaction documents sent from the field office; the transactional amendment will show incremental amounts added to a contract. Ideally, however, CAs will be notified as soon as funds are available for contract renewal or there has been an increase in budget authority.

If funds aren't available at the time a contract is executed, CAs should prepare a funding form with $0 budget authority and sent it to the Fort Worth Financial Management Center. Owners should submit vouchers showing the correct rents; if there's no funding available, the voucher will be put into a holding pattern, although its status will alert Headquarters that funding is needed for the contract.

Comment: Owners and agents aren't able to watch their contract burn rates, and good information isn't available from the field offices on how much money is left in the contract. OAs need to know their burn rates and how much money is left. [Ms. Walker: CAs can see how much money is left in a contract.] Participant: Yes, but they don't have the time to help the owners. [Ms. Walker: We need to enhance our Internet capability so account summaries can be prepared for the owners and agents. The TASS team will be looking at the voucher query to see if an additional page can be added. We had, for a time, tried to show both contract authority and budget authority in our documentation, but that became confusing, so we have dropped contract authority.] Participant: Changes since QHWRA have made the burn rate problems more serious than they were.

Comment: When the LOCCS balance is lower than the voucher amount, no funds are sent—we need whatever is there. [Ms. Walker: We haven't been able to make partial payments, but since we have implemented the manual payments application and will be adding supplemental payments capability in September or October, 2002, more than one voucher per month will be possible. That will take care of the problem; partial payments will be possible beginning about the first of the year.]

Question: If the contract is executed, but there isn't any funding, what will trigger payment? [Ms. Walker: The point at which there is budget authority for the contract.] Participant: What should the CA do while waiting? [Ms. Walker: Stay in close contact with the field office and coordinate with them to get the budget authority allocated. If the CA knows of uncontracted funds, this should be pointed out to the field office as well. In the meantime, continue to the send the vouchers—this will trigger notice to HUD that funds are needed.]

Question: There is a disconnect with the databases, and funds are getting caught up when databases aren't updated. In the meantime, unpaid vouchers are not being warehoused and have to be resubmitted. Could you facilitate warehousing vouchers in LOCCS? Also, why don't some field offices use ARAMS? [Ms. Walker: We do warehouse for expired contracts, the biggest incidence of unpaid vouchers. New and subsequent renewal contracts have to go to Fort Worth for entry into PAS and LOCCS. But if it is just a matter of supplemental budget authority, ARAMS sends all of the information to the other systems. Contracts may be set up improperly in TRACS—they should be set up for the entire term, with automatic renewal set "on."] Participant: Who will work with the field offices on this? [Ms. Walker: We're working on a whole analysis of the data to start answering questions when the data doesn't make sense. When I can assign someone to that, we can address other problems.]

Question: The monthly ACC amendment with the exhibit showing budget authority—is this being updated? [Ms. Walker: It should reflect the current balance—any budget authority minus any disbursements since the prior months amendment issuance.]

Question: With the monthly ACC, do we need to send out the ARAMS ACC? [Ms. Walker: Absolutely—it reflects the dollar amount of budget authority increase.]

Question: When should the contract be executed: at the time of obligation, or when funds are reserved? [Ms. Walker: Headquarters' goal is to have funds in place 90 days before expiration of the contract, but that has not been realistic in recent months. We are, however, getting closer to it. At about 45-60 days before renewal, go ahead and execute the contract. Validate the voucher based on the appropriate rents—hopefully funds will be there within 60 days. If you don't get indication via the ACC amendment that they're in place, liaise with the field office to see when funds will be available.]

Remarks by Acting Deputy Assistant Secretary Tombar

Mr. Tombar thanked participants for coming and said he had been pleased to hear how well the discussions are going in the working groups. He said that those at HUD only have positions, not the answers, and that the answers lie with those who have a stake in HUD's mission. At the point at which Multifamily makes its final decisions on policy matters, it will have considered all of the input it has received from these working groups and others; this will ensure ongoing success in the administration of its programs.

In a discussion with the Inspector General around the first of the year, Mr. Tombar said that he found himself in the position of arguing over whether Multifamily had earned an A or an A-. In the end, he accepted the 92 rather than the 97, only to see the IG make the A- look like failure—next year he will fight harder for the higher score.

Much of what Multifamily has been doing in contract administration has contributed to its recent success, however. When an administrative unit is doing poorly, it gets a lot of resources and attention. But when it's doing well, it's harder to get the funding for systems, training money, and the like to continue to improve. These working groups will help bring to the fore what needs to be done in the PBCA area and help Multifamily justify its request for resources.

A number of changes are coming at HUD, which Mr. Tombar said he thinks Multifamily can manage so that they don't cause problems. First, there will be a change in the field structure, with HUD returning to the 10 regional offices. The new Regional Directors will be less powerful than the old Regional Administrators, but more powerful than the Secretary's Representatives. Their primary purpose will be to serve the Secretary when issues become political, and they will have some administrative function on items that lend themselves to maintenance of local control. The last administration had a tendency toward centralization. Some of the things are working, some not—this administration will be trying to push away what's not working. Mr. Tombar told participants that they might get a call from a Regional Director if there's a political blow up concerning one of their contracts, if it even comes to that. They're more likely not to have contact with the Regional Directors at all.

In another change, REAC has been moved under the Office of Public and Indian Housing—it had been independent. The new Director of REAC will be Liz Hanson, who Mr. Tombar said understands service and the role of the client in dictating need. There had initially been some concern in Housing when REAC was folded into PIH—Housing and PIH have disagreed on some of the core aspects of what REAC does for both units. That initial concern has proved to be unfounded, however. CAs can expect that their relationship with REAC will be fundamentally the same as it has been.

Lastly, OMHAR is no longer independent, and at the direction of Congress has been placed within the Office of Housing at the same administrative level as Multifamily Housing. OMHAR will report to the Assistant Secretary of Housing. Mr. Tombar said that he hopes better coordination will come as a result of this change, but that it will take sitting down with OMHAR to iron out differences. Some fence mending has taken place. Foremost, however, OMHAR must do what it was set up to do, and Multifamily Housing is doing the best it can to help meet Congress's intent in creating the restructuring program. A particular bone of contention, however, has been in the area of rent comparability studies. CAs are entrusted with evaluating the integrity of these studies, and some have been accepted that should not have been. As a result, there are properties that should have been referred to OMHAR that were not.

As for future plans, Multifamily Housing is working to get PBCAs in the States where there isn't one. There are currently PBCAs in over 40 States—better than expected. HUD field offices will continue to be entrusted with contract administration in States where there is no PBCA, but contracts can also be shifted to existing PBCAs within a Multifamily Hub.

In the fall, as the Inspector General's Office began its review, Mr. Tombar asked that the IG not treat the PBCA and HUD-administered portfolios differently. It did anyway, but Multifamily is trying to move toward nondifferentiation in evaluating performance between the two. Recent annual compliance reviews of individual PBCAs have shown that the numbers are there, vis-à-vis the quantity of work completed, but in the future quality will be increasingly important, particularly from the standpoint of the IG's audits and for the future of the PBCA initiative. If the initiative can show results, it will be renewed after five years. In selecting the individual PBCAs, Mr. Tombar said that his preference is that the process be competitive. If nothing else, competition sharpens the saw, even though it can create administrative nightmares for HUD.

There have been some troubles over the last six to eight months, particularly in the epiphany over the funding process. Multifamily would normally assume that the money isn't there when there are problems with funding, and this year, to be sure, there were particular complications from Congress, with the money from new appropriations not actually received by HUD until February. But at the end of each fiscal year, HUD should see the fund for contract renewals exhausted. This year, it saw the balance stay at around $1 billion, while, at the same time, owners weren't being renewed. How is this possible? Mr. Tombar said that it won't be tolerated in the future, and that he will investigate this year should similar problems arise, even it involves making sure that individual Project

Managers know how to do their jobs and make the proper entries into the various Multifamily databases.

But Multifamily was also way off on its estimates of the contracts it did renew, with 15 months of budget authority spent on 12 months of budget, which in the end will result in a $½ billion deficit. The problem might be double accounting, with both short-term (three month) and one-year renewals being negotiated, in many cases, for the same contract. The answer to this is to follow the new procedures outlined by Ms. Walker—renew the contract for the full term and let the budget authority catch up. Don't do any short-term renewals at all.

Mr. Tombar closed by saying that while the PBCA initiative is doing well, it can done better, and he asked PBCAs to continue to work with HUD to make the initiative a continued success.

Question: When owners come in late with their renewal packages, it causes processing and workload problems. Starting the action at current rents for the new contract, then having to raise rents when the owner's paperwork is completed, results in dual processing. About 50 to 60 percent of our renewals and rent adjustments fall into this category. We need to have penalties for late owner submission, or none of this will change. [Mr. Tombar: The penalty is that there is no guarantee that the owner will get his payment on time the month after the contract expires. Don't take shortcuts because owners haven't done what they're supposed to do (even at the risk of throwing the insured portfolio into default). Let Washington play the heavy.

Question: We're ready to move from quantity to quality, but how can we do this if every five years there's a new competition? The program needs institutional background. Moreover, new bidders might be riding on the experienced PBCAs' coattails and taking advantage of an established process. [Mr. Tombar: All of this is true, and we don't want brain drain, but being a PBCA isn't an entitlement. The current PBCAs won the first competition based on their experience, and current and past experience will continue to weigh-in in future competitions. It is both dangerous to set the precedent of automatic renewal, and OMB will surely hear complaints if ACCs are automatically renewed.]

Question: What criteria will you use to measure success when you go to Congress for extension of the PBCA initiative? [Mr. Tombar: We don't know yet. There are a number of measures that can be used, but we haven't decided which is best.]

Question: I don't think there's any choice but to readvertise. But back to the subject of REAC, has there been any discussion of options for inspection in Housing, as there has been in PIH (including finding other ways to assess the performance of PHAs). [Mr. Tombar: We believe in continuous improvement, but there's no present plan. It would be great, however, to have that which relates directly to Multifamily Housing under the direct overseeance of the Office of Housing. At the end of the day, though, we need to have a clear idea of exactly what services are needed, and make sure they're delivered by whichever unit is responsible for delivering them.]

Question: The requirement that one month of HAP payments be bonded is ridiculous—you can't even get that level of insurance in some places. Could the fidelity bond requirement be lowered? [Mr. Tombar: We'll consider it. But contingencies must always be planned for, even if they're unlikely (such as the chance that someone will run off with an entire month's worth of HAP money).]

OMHAR

Before OMHAR's presentation, Ms. Lear reminded participants that any OMHAR contract renewals go through the HUD field office—PBCAs should contact their CAOMs and use existing protocols.

Dan Sullivan (OMHAR staff) discussed the goals of the Mark-to-Market Program. He asked how might success be measured? One measure is the avoidance of scandal, but another is did you meet your goals—or, in the case of the Mark-to-Market Program, was the long-term financial and physical condition of the portfolio preserved while internal controls were maintained.

Increasingly, the Federal Government is moving toward outsourcing and from a "retail" to a "wholesale" orientation. Mr. Sullivan said that it is his observation that not all programs have achieved this as smoothly as the PBCA initiative. This matters because OMHAR will be gone in a few years, leaving contract administrators with the results of the restructuring program. Mr. Sullivan likened OMHAR to a shipyard in the middle of a river, repairing the boats as they pass—some of which need quite a bit of work. In the end, will OMHAR's social goal of preserving the affordable housing stock be achieved?

In addition to the social objective, OMHAR's economic goal is to reduce rents and restructure debt, while, administratively, making sure that its relationships with other participants are beneficial and efficient. To meet its goals, by the end of the restructuring process, OMHAR must ensure that all relevant documents have been received, that the property is in good shape, and that sound property management is in place.

Mr. Sullivan said that OMHAR has encountered few bad owners, although there are some tired owners and properties in probate. To encourage participation in the Mark-to-Market Program, OMHAR has tried to provide incentives for debt restructuring that align owners' objectives with HUD's goals. The overall aim is to keep owners engaged and get them to stick with their properties.

Leonard Clark (OMHAR staff) said that to date, OMHAR has conducted 400 full debt restructurings, with rents for the affected units dropping, on average, from $600 a month to $475. Expenses have dropped, on average, from $4500 per month to $4300, much of which is the result of moving capital items from operating budgets to reserves. Reserves for the restructured properties have risen from about $311 per unit to more than $400. In addition, there has been a 70 percent reduction in debt, from $2839 per unit per year to $578. Restructuring has produced about $800 million in savings, freeing up more money to fund Section 8 programs. About 75,000 units have been preserved through both full restructurings and "lites." Mr. Clark said that the preservation of the affordable housing stock provides a commonality of purpose between OMHAR, Multifamily Housing staff, and contract administrators.

Mr. Sullivan discussed some recent enhancements to the Mark-to-Market Program. He said that after one and a half years in business, OMHAR hadn't restructured any properties at all, in some part due to startup lags and in some part to owner reticence. Some incentives were added to bring properties into the program, including by allowing financial return to owners whose property debt is being restructured.

In addition, authority for the Section 223a(7) insurance program was enhanced so that it can serve as a refinancing vehicle for FHA-insured mortgages. It is Mark-to-Market's primary tool and is used on HUD-held loans, as well. Congress also extended the amortization period for 223a(7) Mark-to-Market projects, to up to 30 years.

There have also been changes to the rules concerning exception rents—in cases where a property with negative NOI needs significant rehab, above market rents may be allowed. Other changes to OMHAR's debt restructuring toolbox have been made in the interests of getting deals through the process, minimizing tax consequences for owners, and making contracts simpler to execute. Mr. Sullivan said that putting OMHAR under the FHA Commissioner makes good sense, and will help with coordination, although OMHAR has always been under the Secretary of HUD and was not an independent, quasi-governmental agency.

Alberta Zinno (OMHAR staff) opened by saying that PBCAs are invaluable to OMHAR, as they now administer about 90 percent of the portfolio. Before OMHAR is scheduled to phase out, some 3,000 to 4,000 more properties could come in for restructuring.

Ms. Zinno told the PBCAs that if at contract renewal an owner selects option 3 (referral to OMHAR), it is up to the PBCA to determine what the market rents for the area are. OMHAR can provide assistance to PBCAs in this area, through their CAOMs. Secondly, PBCAs should send any referrals to OMHAR through their CAOMs, rather than directly to OMHAR. Properties referred to OMHAR if assigned to the PBCA remain within the PBCA's portfolio.

The interim contract for a full debt restructuring runs for 12 months; the interim contract for a "lite" restructuring runs for 6 months. Owners do not need to wait until contract expiration to be referred to OMHAR, however—"out-year" contracts can be referred as well. In these cases, a rider is attached to the existing contract (which isn't cancelled). The PBCA's tasks remain the same, but OMHAR will be working with the owner through the PAE to restructure the property's debt. When the property is ready to go to closing, PBCAs will be informed through their CAOMs. The new Section 8 contracts are drawn for up to 20 years. The "lites" are covered by basic renewal contracts.

Mr. Clark said that an owner's primary incentive to come into OHMAR prior to contract expiration is that the difference between the old rent and the new, lower rent can be used to help finance rehabilitation of the property. But whether the owner comes in early or comes in late, the property's referral to OMHAR will nonetheless occur.

Ms. Zinno said that the restructuring process sometimes has to be discontinued, with the property placed on the "watch list" (for which a guidance has been issued). Section 8 contracts for "watch list" properties are only renewed for one year at a time, at the reduced rent, with no other changes. The property is closely monitored by HUD field office staff to ensure that it remains viable during its watch list period. It may voluntarily come back to OMHAR for a full restructuring, however (as can the "lites"). If properties are classified as "watch list" they will not be assigned to PBCAs until this designation has been changed.

Question: When a property comes out of OMHAR, what is the effective date of the new HAP contract—the date of closing, or a date tied to the interim contract? [Ms. Zinno: It depends. There might have been a waiver, or there might be time left on an interim contract. It might be either of the last day of the month of closing or the end of the interim contract.] Participant: This uncertainty in dates may cause problem in lining up funding. [Mr. Sullivan: PAEs need to coordinate with the Multifamily Project Manager, although we recognize that it doesn't always happen like that. CAOMs might need to contact the PAE, as well.]