U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

FEB 1 , 2013

Dear Executive Director

**Subject: Get Ready Letter 2013 – Housing Choice Voucher Program**

The purpose of this letter is to assist your public housing agency (PHA) preparing financially and administratively for your Housing Choice Voucher (HCV) Program activities for calendar year (CY) 2013. We encourage you to review this letter carefully and share it with your Section 8 Housing Choice Voucher Director and your Chief Financial Officer.

The following information is provided in order to alert PHAs of important deadline dates:

1. **February 22, 2013** – Deadline date for PHAs to report their January 2013 leasing and HAP expenses in VMS;

   **March 1, 2013** – Deadline date for PHAs to report all changes to CY 2012 leasing and HAP expenses in VMS. PHAs should be aware that changes to prior months' data may require their Financial Analyst to review data that fails the hard edits in VMS; therefore, HUD recommends that PHAs start reporting changes to the CY 2012 immediately.

2. **As of March 1, 2013**, NRA balances reported by the PHAs in VMS as of 12/31/2012 will be extracted from VMS and will be used as the basis for establishing HUD-held program reserves. The amount reported as the NRA as of 12/31/2012 will be reduced by the amount of NRA, if any, that was used subsequent to 12/31/2012 for legitimate HAP expenses. The resulting balance will be transitioned to the HUD-held reserves, and will remain available to the PHA for current and future legitimate HAP expenses. Further instructions will be provided under separate cover in the near future.

   **It is very important for PHAs to note that the self-reported 12/31/2012 NRA balance in VMS is subject to review, audit and confirmation in order to ensure that the balance reported represents the actual NRA balance at 12/31/2012 (and, if appropriate, adjusted for any NRA used subsequent to that time for legitimate HAP expenses). The Housing Voucher Quality Assurance Division (QAD) staff will conduct on-site validations of the reported NRA balances, where necessary.**

**2013 HCV Renewal Funding**

Public Law 112-175, 126 Stat. 1313, approved September 28, 2012, established a continuing resolution (CR) to provide continuing appropriations for the period October 1, 2012 through March 27, 2013. The text of the Enrolled Bill as signed by the President can be found at: http://www.gpo.gov/fdsys/pkg/BILLS-112hjres117enr/pdf/BILLS-112hjres117enr.pdf

In order to assist your agency with planning for its administration of the Housing Choice Voucher program in CY 2013, please be advised of the following methodology that will be used to establish HAP disbursements and administrative fee advances. Under the aforementioned CR, January and February 2013 HAP fund obligations were based on the total HAP expenses for January through September 2012 plus September 2012 expenses inflated for the months of October through December 2012. The monthly **obligation** will equal 1/12 of that total. However, monthly HAP **disbursements** to the PHA were determined according to cash management requirements and are **the lesser of actual** average expenses for July through September 2012 plus a 3% margin **OR** the monthly obligation amount determined above. (Please refer to the January and February 2013 enclosures, which were provided during the month of December 2012. PHAs whose monthly costs exceed the disbursements may submit a request for an additional advance/frontload to their Financial Analyst at the Financial Management Center (FMC) for review and approval. Please see HUD Notice PIH 2011-67, Implementation of New Cash Management Requirements for the Housing Choice Voucher Program, issued December 9, 2011, for further information on cash management disbursement procedures and frontload requests.

The January and February 2013 administrative fee allocation were funded at approximately 75% of fee eligibility. The administrative fee budget authority available under the 2013 CR is at the 2012 funding level, and the eligibility was based on the leasing reported in VMS and reconciled as of September 2012. This estimated proration will change if an Appropriations Bill is enacted at a higher (or lower) funding level than the 2012 enacted administrative fee funding.

Please keep in mind that neither the HAP funding nor administrative fees above reflect the impact of actual appropriations to be received for 2013.

HUD strongly encourages your PHA to review the OHVP Cash Management webcast of October 10, 2012 and apply that information to your ongoing program administration planning. Should you have remaining questions about how your obligations and/or disbursements were calculated, do not hesitate to contact your Financial Management Center (FMC) Financial Analyst immediately.

**Funding Issues**

As stated above, HUD is operating under a CR for the first 6 months of FFY 2013, (October 2012 – March 2013). Once the 2013 Appropriations Act (the Act) is enacted or HUD is under a full-year CR and all CY 2012 VMS data has been reported and validated, HUD will calculate the HCV renewal needs in accordance with the law and will issue the final funding award letters to the PHAs as soon as possible. At that time, a PIH Notice will be issued to provide full details of the statutory renewal calculation and its implementation. It is critical that PHAs' reporting in VMS, FASS, Public Housing Information Center (PIC) and other HUD systems is accurate and up-to-date. As your PHA begins CY 2013, please consider the following:

1. Because the renewal formula for the past several years has been based on actual leasing and costs during a re-benchmarking period, most PHAs do not receive renewal funding to cover the cost of leasing 100 percent of their authorized (baseline) units. It is expected that CY 2012 will be the rebenchmark period for the CY 2013 renewal eligibility.

2. HUD is not permitted to provide renewal funding inconsistent with the formula set forth in the Appropriations Act. This means HUD cannot provide additional renewal funding to enable a PHA to reach, increase or maintain their level of leasing.

3. It is anticipated that the cap on over-leasing for non-MTW PHAs will be part of the Act or the full-year CR. This would mean that in CY 2013, non-MTW PHAs will continue to be prohibited from using HAP funds, NRA or program reserves to increase leasing beyond their authorized number of units under ACC.

4. A PHA does not need to reach a 98 percent voucher leasing level of UMAs in order to achieve the maximum points for the SEMAP utilization category. Points are awarded on the basis of the higher of the voucher utilization percentage, or budget authority utilization percentage.

5. PHAs' 2013 renewal disbursements under the CR will be subject to the cash management procedures implemented in CY 2012, which will base the 2013 HAP quarterly disbursements on the VMS average costs reported for the last validated quarter, i.e., the January, February and March 2013 HAPs will be based on the average HAP cost reported on July, August and September, 2012 in VMS, unless otherwise revised or capped by the CR language. Notifications were issued during the last week of September 2012 for the October through December 2012 monthly HAPs, and will be issued during December 2012, March 2013 and June 2013 for the quarter following that month in CY 2013.

**Cash Management**

Cash management procedures do **not** reduce the PHAs' eligibility; PHAs are able to request additional funds from the FMC, based on the total renewal eligibility, if deemed necessary. **Do not assume that your monthly HAP disbursements are the total amount available for HAP purposes.** HUD is providing the HCV funding availability analysis in the quarterly disbursement letters and enclosures, but if you have questions, please contact either your Field Office representative or your FMC Financial Analyst for clarification.

A final reconciliation will be processed once all VMS data for CY 2012 has been validated. HUD's goal is to further delineate Treasury cash disbursements requirements per guidance provided in the PIH Notice 2011-67, which will prevent further buildup of PHA held NRA, and will convert any remaining NRA balances as of 12/31/2012 into HUD held program reserves as of the end of CY 2012. PHAs will continue to have access to these reserves for HAP purposes; however, these reserves' repository will be Treasury rather than the PHAs' bank accounts.

**NRA Conversion to Program Reserves**

As indicated previously, PHAs are reminded that the remaining NRA balances as of 12/31/2012 will be determined early during CY 2013 and will be re-established for each PHA as program reserves. PHAs will receive final NRA report and will be requested to either confirm or revise with sustainable documentation their NRA balances. PHAs must contact their Financial Analysts at the FMC if they wish to appeal the NRA balances and will be required to provide support/evidence in order to modify it, similar to what was done during late CY 2011. Final NRA balances as determined during that process will be collected or offset.

It is critical that your available NRA balance is available immediately, in cash and/or investments. Therefore, to avoid penalties for early withdrawal of investments, we recommend that you start conversations with your financial institutions as soon as possible.

In the meantime, PHAs are reminded that **NRA shall only be used for eligible HAP expenses** (including leasing or homeownership assistance, FSS escrow deposits, and utility reimbursements). A PHA is prohibited from using the NRA for any other costs, including program administrative expenses and costs of other housing program.

If you have any questions concerning this letter, please contact your local Field Office or your FMC Financial Analyst at the assigned to your agency.

Sincerely,

Miguel A. Fontánez
Director
Housing Voucher Financial
Management Division