

Glossary of Frequently Used HUD Management Terms

Adjusted Annual Income	The net amount of income anticipated to be received by all adult members of the household minus allowable expenses and deductions. This figure is used to determine the share of rent and the offset amount of subsidy for each resident/applicant family. Annual income is used to determine eligibility for assisted housing, while adjusted income is used to determine tenant rent payments. (See <i>Certification</i>)
Aging-in-Place	<p>A term used to describe the phenomenon that elderly residents who have lived in their homes or apartments for several years often require more supportive services than when they were initially moved-in. Physiologically, a combination of changes brought on by normal aging and chronic underlying illnesses resulting in increased frailty. For housing providers, this means increased service demands.</p> <p>If you are in HUD 202 elderly housing- the FHA number for your project would be NNN-EHNNN, where N is a number, or NNN-SH-NNN. Section 522 of the Year 2000 HUD Appropriations Act allows for partial conversion of your facility to assisted living, or so I hear. This is one way to deal with "Aging in Place" issues</p>
AAHSA	The American Association of Homes and Services for the Aging: the national association for non-profit aging services providers. AAHSA currently represents over 5,000 not-for-profit facilities providing elderly housing and other living arrangements for the elderly. Seventy-five percent of AAHSA member facilities are affiliated with religious organizations. Most of AAHSA's not-for-profit sponsors of elderly housing are involved in various federal housing programs, particularly, the <i>Section 202</i> , <i>Section 236</i> , <i>Section 221(d)</i> , and <i>Section 231</i> programs
Amendments (Contract Amendments)	Added funds which are provided to a specific project when the previously approved amount of funding runs out prior to the end of the contract term. <i>Appropriations</i> for contract amendments, in the HUD context, usually refers to the line item in a particular fiscal year funding bill.
Apportionment	A determination and limitation by the Office of Management and Budget (OMB) as to the amount of obligations or expenditures which may be incurred during a specified period.

Appropriations	An <i>authorization</i> by an Act of Congress to incur obligations for specified purposes and to make disbursements therefore out of the Treasury.
Assisted Housing	<p>As opposed to assisted living, and sometimes though synonymous with public housing, <i>assisted housing</i> refers to the stock of privately owned and/or operated housing projects. Most assisted housing for the elderly falls under the following programs: Section 202, Section 221(d)(3), Section 236, Section 231 or Section 232.</p> <p>The term “assisted” refers to the portfolio of HUD facilities having either FHA-mortgage insurance, or a federal mortgage interest subsidy help to keep rents affordable to low- or very-low income persons. These projects may or may not also receive <i>project-based rental assistance</i>.</p>
Assisted Living Conversion Program (ALCP)	In FY2000, HUD issued the first NOFA of \$50 million for Section 202 owners interested in converting facilities or portions of facilities (no less than 5 units) to licensed assisted living. The grant would cover facility modification and upgrades, including creating of office, common areas and/or dining/kitchen facilities needed to operate the program, but the services component must be paid for by other (non-HUD) funds.
Authorization	Specific authority in the form of a law which is necessary before a program can be carried out and funds can be <i>appropriated</i> .
Automatic Annual Adjustment Factor (AAF)	Section 202/8 projects which received their fund reservations in FY76 through FY79 (usually?) received this additional benefit which guarantees an automatic rent increase based on a predetermined calculation regardless of actual funds needed to operate the project and pay debt service. (As opposed to projects receiving their fund reservations in Fy80 and beyond which must request a rent increase and include documentation of the need.) In some cases, this has led to excessive reserves and, some would contend, unrestrained operating expenses. (reference: Analysis of the Issues in the Conversion of the Section 202 Loan Portfolio to Capital Advanced, prepared for HUD/FHA by Robert Wilden, Hamilton Securities Advisory Services Inc. 1997)

**Basic Rent
(Section 236)**

One of four possible rent variables used to determine individual tenant rent payments in *Section 236* projects. *Basic rent* is the operating costs of the project, including the mortgage payments **at 1 percent interest** and the utility costs for the dwelling unit paid by the owner. (See also, *Fair Market Rent, Section 236 Market Rent*, and *Adjusted Annual Income*.)

Budget Authority

Authority provided by law to enter into obligations that will result in immediate or future outlays of Federal funds.

Capital Advance

Created in 1990 by the Cranston-Gonzales Act, this HUD program assists private, nonprofit corporations to finance the acquisition, construction or rehabilitation of housing for the elderly (*Section 202/PRAC*) or disabled (*Section 811/PRAC*). It has a 40 year term and does not have to be paid back, provided the project continues to serve the *low-income* population for which it was initially intended.

Certificates

Section 8 housing assistance payment program administered by local *Public Housing Authorities (PHAs)*. Housing certificates are issued primarily to *very low-income families* and a limited number of *low-income families* with a limit on the amount based on local *Fair Market Rents (FMRs)*. Certificates are also issued to families currently living in projects with *project-based subsidies* where an owner is opting out of participation in the program. As of 1992, certificates were also authorized for family homeownership.

CDBG

Community Development Block Grants - Federal financial aid to promote sound community development, primarily for the benefit of low- and moderate-income persons. Eligible uses include neighborhood revitalization, economic development, and improved community facilities and services. Communities must develop their own programs and funding priorities and consult with local residents before making final decisions, this process and final product is known as the *Consolidated Plan*, which is required to be updated once every five years.

Certification**also “recertification”**

The documentation and verification process required of HUD managers in order to determine initial income and eligibility during the application process. The “initial certification” is used for applicants/new tenants to establish the amount of *rental assistance subsidy* which the applicant or tenant is eligible to receive. Recertification is required at least once each year. The “annual recertification ” begins approximately 90 -120 days prior to the anniversary of each resident’s move-in date.

During the certification process, verification forms are sent out and data is collected to establish the gross annual income (considering all sources including earned income, income from assets, etc.) for all adult participants. Meanwhile, the total amount of allowable expenses (which for elderly households is a \$400 elderly household reduction plus any allowable medical expenses) is determined using receipts and/or verification forms. The *adjusted annual income* is the total of gross annual income minus allowable expenses.

Residents receiving federal rental assistance usually pay 30 percent of their *annual adjusted income*, and the rental assistance payment (i.e. *Section 8* or *PRAC*) makes up the difference between the resident payment and the unit rent level.

CLPHA

Council of Large Public Housing Authorities

Comprehensive Needs Assessment (CNA)

The CNA is a statutorily required description of current and future financial resources and needs of certain multifamily projects. It describes available resources for meeting the current and future needs of the project and the likelihood of obtaining such resources which might include assistance from private foundations, State and local governments, any HUD programs, rent increases, etc. The CNA involves project residents in its development from start to finish and is based on a thorough and detailed physical inspection of the project. It also includes descriptions of modernization needs and activities, supportive services needed and provided, and personnel needs, including service coordinators and security staff.

The CNA program is intended to inform Congress and HUD of the current status of existing programs. It was authorized in 1992, but not implemented until 1995. By statute, the first round of CNA’s is required to be completed by the end of Fiscal Year 1997.

Congregate Housing Apartments or cottages in which residents pay a monthly fee which includes rent, utilities, one to three congregate meals, housekeeping/chore services, 24-hour emergency response, and essential transportation. Personal care services are individually contracted between residents and private vendors.

Congregate Housing Services Program (CHSP) Begun in 1990, CHSP is a program designed to provide meals, expanded services, and funding for retrofit and certain modernization activities in housing projects for the frail elderly and non-elderly disabled. CHSP is a competitive program, and Notice of Funding (NOFA) availability is published annually in the Federal Register. Applications are rated and ranked and the highest scoring application is funded. This program is operated in conjunction with the Public Housing Division since grant funds can be awarded to public housing properties. It was intended to be a five (5) year renewable grant, but new funding has not been appropriated since FY95. The first CHSP contracts will expire in FY98.

Consolidated Plan A revolving 5-year plan identifying community needs and funding expenditure priorities that is conducted at the state and/or local level in consultation with local residents and agencies. The goal of the *Consolidated Plan* is to coordinate the use and distribution of various federal funds allocated to a specific jurisdiction. (See also *CDBG*)

Continuing Resolution Enacted legislation for federal agencies to continue operations until the regular *appropriation* is enacted. Continuing resolutions usually specify a maximum rate for obligations during a specified period of time. (i.e., the government shut-downs in early FY96 because departmental funding bills had not been completed.)

Cost Containment A policy enacted in FY91 which substantially impacted facilities which received their fund reservations between FY83 and FY88.. HUD imposed requirements that 25% of the units in elderly projects should be efficiency units, owners contain their design features and eliminated most common area spaces and such amenities as balconies, etc. Such a policy is responsible, in part, for the turn-over and vacancy problems experienced as subsidized renters pay the same amount for an efficiency unit as for a one-bedroom. Design constraint also resulted in the obsolescence of design and negatively impacted marketability.

Cranston-Gonzalez see *National Affordable Housing Act of 1990*

Deep Subsidy Programs narrowly targeted to serve those most in need, such as the later Section 202 programs, serving *very low-income* persons (as opposed to *low-income* persons or a mix of income groups). This kind of targeting required a deeper level of assistance for eligible applicants than programs which serve people who have greater income and need less federal financial assistance.

Disabled Family A family whose head, spouse, or sole member is a *person with disabilities*; or two or more persons with disabilities living together, or one or more *persons with disabilities* living with one or more *live-in aides*.

Elderly Person A persons who is at least 62 years of age.

Elderly Family The latest HUD definition is “a family whose head, spouse, or sole member is a person who is at least 62 years of age; or two or more persons who are at least 62 years of age living together; or one or more persons who are at least 62 years of age living with one or more *live-in aids*.”

This definition has gone through several variations over the years and may also change depending on the HUD program to which it is applied. This term may, for certain project types, include families “where the head or spouse is 62 years of age or older, the head or spouse is a handicapped person...as defined, or the head or spouse is a disabled person ..as defined.”

Elderly Housing Not to be confused with the statutory term of “Housing for Older Persons,” a class of facilities which are exempt from the *familial status* provisions of the *Fair Housing Amendments Act*, elderly housing is a loose term indicating intended target group for which the sponsor developed the housing.

The needs and concerns for elderly housing programs are often distinguishable from those impacting family housing. Elderly housing programs, however, need to be distinguished from within multifamily housing as having a unique position in the long-term care reform efforts concerning Medicare and Medicaid.

Enhanced Vouchers As some for-profit owners began to “opt-out” of the Section 8 program, Congress authorized *enhanced vouchers* for residents currently residing in formerly assisted (Section 8 project-based) properties. This was done to prevent forced displacement as the owners elected to not renew an expiring *project-based* rental assistance contract and to convert the property to market rate, oftentimes raising the rent beyond the means of the current low-income tenants. At opt-out, current qualified low-income residents are issued *tenant-based* vouchers. If they elect to remain at the current location, enhanced vouchers are issued to make up the difference between previously subsidized and new market rent levels. If the resident elects to leave the property, the voucher reverts to the normal payment standard for the area.

Enterprise Zones (EZ) Designated areas for which governments provide special incentives to encourage job creation and entrepreneurship in distressed inner cities and rural areas. Enterprise zones were authorized at the Federal level by the Housing and Community Development Act of 1987.

Excess Rental Income (or Excess Rents) (in Section 236 projects) A HUD term applied to Section 236 projects. Excess income or excess rent refers to the amount paid by residents which is more than the Section 236 *basic rent* but less than the *market rent*. Currently excess rents are returned to HUD and credited to the general account. Policies are being reviewed to allow projects to retain excess rents for their own rehabilitation needs or other defined special purposes OUTSIDE of the standard operational budget.

Extremely Low (or Very, very low) Income (families) Families whose incomes are no higher than 30% of the area median income – the QWHRA Act of 1998 (implemented in April 2000) requires that no less than 40% of new Section 8 assisted unit leases each year are to be targeted to extremely low income families.

**Fair Housing Act
and Fair Housing
Amendments Act
(FHAA)**

Legislation first enacted in 1968 and expanded by amendments in 1974 and 1988, which provides the Secretary of HUD with investigation and enforcement responsibilities for fair housing practices. Prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, handicap of familial status.

When analyzing a claim under the act, plaintiffs have the initial burden to establish a prima facie case of discrimination, after which the burden shifts to the defendant to justify the challenged policies based on a nondiscriminatory reason. Defendants must give sufficient evidence of the business necessity - and should seek to ensure that the policy is the least restrictive means to the ends.)

**Fair Market Rents
(FMR)**

Rent Schedules published in Federal Register which establish maximum eligible rent levels allowed under Section 8 program by geographic area.

Familial Status

Familial status means one or more individuals (who have not attained the age of 18 years) being domiciled with: a parent or other person having legal custody of such individual(s); or the designee of such parent or other person having such custody. Also applies to any person who is pregnant or is in the process of securing legal custody of any individual who has not attained the age of 18 years. (see *Fair Housing Amendments Act*)

**Farmers Home
Administration
(FmHA)**

The Farmers Home Administration was the part of the U.S. Department of Agriculture whose purpose was to administer loans, grants and related assistance for housing and community facilities for low-income rural persons and their communities. AAHSA members with projects funded through FmHA are usually *Section 515* projects.

Rural housing programs, such as Section 515, were very recently placed under the jurisdiction of the *Rural Housing Service (RHS)*, but the name and acronym of Farmers Home will likely “stick” for a long time.

**Federal Housing
Administration (FHA)**

The Federal Housing Administration is a division of the Department of Housing and Urban Development (HUD). FHA’s main purpose is to issue mortgage insurance on mortgages made by private lenders.

FHA Mortgage

A mortgage made by a private lender according to the underwriting guidelines of FHA, which then issues insurance to protect the lender from default by the borrower.

FHEO

HUD' s Office of Fair Housing and Equal Opportunity. The Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) supervises HUD's housing and community development activities to promote fair housing and equal opportunity for all, regardless of race, religion, sex, or national origin. He or she also promotes equal opportunity for disabled people and families with children. This Office administers:

Fair Housing Laws and regulations: Federal law prohibits discrimination in public and private housing on the basis of race, color, religion, sex, national origin, handicap or familial status.

Equal Opportunity Laws and Regulations: Federal law prohibits discrimination in HUD-assisted housing and community development programs on the basis of race, handicap, sex, age, or national origin.

Grants Program: The Fair Housing Assistance Program provides financial and technical assistance to state and local government agencies to implement local fair housing laws and ordinances.

In addition, the Assistant Secretary for Fair Housing and Equal Opportunity administers the Community Housing resources Boards (CHRBs) Program. HUD provides grants to CHRBs to carry out fair housing activities such as outreach and education, identification of institutional barriers to fair housing and complaint telephone hotlines.

Federal Preferences

With the QWHRA Act of 1998, the requirement to recognize the three main Federal preferences (for person(s) who are: homeless/living in substandard housing; paying more than half of their income for rent; involuntarily displaced) was permanently eliminated. Owners still have the option to use any one or combination of the three.

Flexible Subsidy	<p>The Flexible Subsidy (or Flex Sub) program was designed to maintain the use of the property for low- and moderate-income people and is conditioned on the project owner's ability to provide management satisfactory to HUD.</p> <p>It provides assistance for troubled multifamily projects, as well as capital improvements for both troubled and stable projects. The program has two elements -- operating assistance for troubled projects and capital improvement loans. The future of this program is uncertain.</p>
Housing for Older Persons	<p>The term "Housing for Older Persons" is a legal one used for the purpose of claiming an exemption from the familial status provisions of the <i>Fair Housing Amendments Act</i>. The three categories include HUD Secretary designated state or federally assisted elderly housing programs; housing exclusively for persons 62 or older; and, 55 and over housing.</p>
Housing Assistance Payment (HAP) Program/Contracts	<p>The Housing Assistance Payment program is a <i>rent subsidy</i> program that assists eligible <i>low-income families</i> obtain decent, safe, and sanitary housing. It consists of various subprograms, designed to reflect the different types of housing and delivery mechanisms available. (i.e., <i>Section 8, PRAC</i>)</p>
HUD	<p>The U.S. Department of Housing and Urban Development, part of the President's Cabinet-level Administration, was created under the Urban Development Act of 1965. HUD has responsibility for all federal housing policies and programs. Senior housing projects have been developed under a number of programs (e.g. Sections 202, 221, and 236). The Section 202/PRAC Supportive Housing for the Elderly is the only program currently funding new construction.</p>
HUD Manager or Management Team	<p>The person(s) wearing the hats of: HUD rules and regulation implementer, counselor, social worker, mediator, service coordinator, maintenance person, front-line emergency response person, activity and/or transportation director/enabler, driver, confidante, salesperson, interviewer, lease reviewer/enforcer, record-keeper, project budget preparer/reviewer/authority, rent collector, accountant, computer expert (or not-so-expert), resident council advisor, and general trouble-shooter for whatever should arise.</p>

Income Targeting	With the QWHRA Act of 1998, the requirement to recognize the three main <i>Federal preferences</i> was permanently eliminated. However, as implemented in April 2000, it is required that no less than 40% of new Section 8 assisted unit leases each year are to be targeted to <i>extremely low income families</i> .
Independent Housing for the Elderly	Facilities that provide a secure residential environment for <i>elderly</i> individuals who do not need or want the higher levels of care and supervision found in sub-acute care facilities, such as nursing homes. The elderly residents of housing facilities have their own apartments, each providing maximum privacy and independence.
Interest Reduction Subsidies	The monthly payments or discounts made by HUD on behalf of <i>Section 236</i> and <i>BMIR</i> projects to reduce the debt service payments and, as a result, the rents necessary to sustain project operation.
Interim Rule	When an interim rule is published, it is in effect until comments are taken in and a final rule is published. A <i>proposed rule</i> , on the other hand, is suggestive language up for comment that is not effective until final language is published.
Layered Subsidy	Refers to programs/projects which have more than one type of assistance, for example a 221(d)(3) mortgage insurance program and a Section 8 rental assistance subsidy. From a Congressional and administrative point of view, subsidy layering can be problematic when funding for project development or programming comes from more than one source and may have overlapping or contradictory use restrictions. Developers must be vigilant in <i>subsidy layering</i> so that total project/programming finances do not exceed total project need. (see <i>Federal Register</i> May 3, 1996 p 19946)
Low-Income (families)	Families with incomes no higher than 80% of the area median. (see also, “very low-income”)

Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA)

More than 20 years ago, Congress established housing programs under *Sections 221 (d)(3) and 236* of the National Housing Act to encourage the *new development or substantial rehabilitation* of multifamily dwellings to house *low-income* and moderate-income residents. In return for an interest rate reduction on their mortgage loans, owners were to make these rental housing units available to low- and moderate-income residents through the term of a 40-year mortgage. The mortgages, however, included a provision that allowed for-profit owners to pay the balance of the mortgage after 20 years. *Prepayment* of the mortgage allows termination of rental affordability restrictions and permits conversion of the properties to market-rate housing or other uses.

The Low-Income Housing Preservation and Resident Homeownership Act of 1990, or LIHPRHA, was established as a permanent, comprehensive preservation program. Its basic objectives are to assure that the prepayment inventory of assisted housing is preserved and remains affordable to *low-income* households and to provide opportunities for tenants to become homeowners, while at the same time fairly compensating owners for the value of their properties. LIHPRHA was implemented on May 8, 1992. As of July, 1995, the funding appropriated under this Program was rescinded. Future funding is uncertain.

Live-in Aide

A person who resides with one or more *elderly persons* who is determined to be essential to the care and well-being of the persons; is not obligated for the support of the persons; and would not be living in the unit except to provide the necessary supportive services.

Loan Management Set Aside (LMSA) Program

The goal of the LMSA program is to provide assistance to existing HUD-insured or HUD-held projects with immediate or potentially serious financial difficulties. HUD enters into *HAP* contracts directly with the owners of the projects. By attaching Section 8 assistance to the projects, defaults under the FHA insurance program can be minimized and, therefore, outlays can be reduced.

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Low Income Housing Tax Credit (LIHTC)

The Low Income Housing Tax Credit (LIHTC) program is a major source of financing for development of affordable housing for older people. Independent and assisted living facilities, congregate care projects, properties with *Section 8* rental assistance or HUD/FHA mortgage insurance can qualify for tax credits. In each state, housing finance agencies are responsible for administering the tax credit program. Each state has a quota of tax credits that can be allocated during that particular year.¹

Dollar-for-dollar tax reduction to encourage developers to create affordable housing. Nonprofits must partner with a for-profit investor, which gets tax credits but gives control and management to the nonprofit. Investor typically brings equity equal to 30 - 50% of project value. This means that the nonprofit still must rely on debt financing, which typically comes from a first mortgage loan.

The tax credit program only uses the HUD definition of annual income, not adjusted income.

Managed Care Concept in which an organization negotiates with a limited or select group of health care and other providers of service for preferred or set charges for services and care. AAHSA's official managed care definition is a method of providing care and services through financing mechanisms which coordinate care across time, place, and provider. Managed care emphasizes prevention, risk/reward sharing and appropriate utilization of services based on consumer and community needs for an outcome of maximum health and well-being at lower overall costs.

Minimum Rent In 1995, legislation was passed requiring residents of HUD housing to pay a minimum amount. Currently, the policy for *public housing*, allows for a minimum of up to \$50 to be set by the local PHA. In *assisted housing*, a determination was made that all persons would pay a \$25 minimum, unless they fall under one of the exemptions including head, spouse or co-head being over the age of 62 or disabled. (See also, *Total Tenant Payment (TTP)*)

Moderate Rehabilitation . The purpose of the Moderate Rehabilitation program was to upgrade substandard rental housing and to provide rental subsidies for low-income families that occupy the rehabilitated units. This program is no longer receiving new funding. It is considered inactive, but facilities still exist which were funded under this program.

Monthly Insurance Premium (MIP) For properties which have FHA insurance, borrowers pay a monthly insurance premium as part of the monthly mortgage payment to the mortgagee, which in turn forwards that insurance premium to HUD to create a reserve fund. This fund is used to pay a mortgagee should a default occur and the mortgagee exercises its option to assign the mortgage to the Department and request reimbursement of the outstanding mortgage principal.

Mortgage Insurance Programs FHA Mortgage Insurance is a credit enhancement tool which insures mortgage lenders against default. A mortgagee must be approved for participation in the mortgage insurance programs. The mortgagee files an application with the HUD office for mortgage insurance on behalf of a for-profit or nonprofit borrower, or mortgagor. In exchange for the insurance, a mortgagee can offer a reduced interest rate to the borrower. The owners of properties insured through an FHA mortgage insurance program are responsible for maintaining the habitability of the property and adhering to prescribed HUD requirements. Mortgage insurance programs most often used to finance elderly housing include Section 221(d)(3) Below Market Interest Rate and Section 236.

Multifamily Housing Division within HUD's Office of Housing, the Multifamily Housing Division is responsible for the production and management of multifamily housing developments that are built and privately owned and insured under a section of the National Housing Act or assisted with Section 8 rental assistance payments.

The Multifamily Housing Division is comprised of two Branches. The Production Branch assists private developers in building or rehabilitating properties with Federal mortgage insurance. The Asset Management Branch assures that FHA insured properties are managed in a manner that ensures the mortgage security is protected, and residents are provided decent, safe and sanitary housing from initial occupancy until the mortgage is terminated or paid in full.

National Affordable Housing Act of 1990 Also known as the "The *Cranston-Gonzalez Act*." It changed Section 202 from a direct loan to a *capital advance program* with a 40 year term, created a new subsidy known as the *project rental assistance contract (PRAC)*, and restricted eligibility for 202/PRAC's to household in which the head or spouse is at least 62 (creating an 811/PRAC program for person with disabilities.)

NCSHA National Council of State Housing Agencies

New Construction and Substantial Rehabilitation Authority for the various Section 8 new construction and substantial rehabilitation programs was repealed by the Housing and Urban-Rural Recovery Act of 1983, except in connection with the old *Section 202* direct loan program (for elderly and handicapped) and projects in the *pipeline*.

NOFA	Notice of Funding Availability - NOFA's are issued in the <i>Federal Register</i> and announce the amount of funding available and the process required to apply for the funding. Usually, it instructs interested parties to contact the local HUD office for application materials. Section 202 applications are rated and ranked and the highest scoring applications is funded. Funding awards are made on or around September 30 of every year. Service Coordinator NOFA's are usually done on a first-come, first-served basis. NOFA's for competitive grants such as the Drug Elimination Grant or the new Safe Neighborhood Grant often require extensive coordination within the community (see also "Consolidated Plan").
Operating Subsidies	Payments authorized by the U.S. Housing Act of 1937 for operating costs of low-rent public housing projects to assure the low-income character of the projects involved.
Person(s) with Disabilities	Includes the term "disabled person" and means a person who: (a) has a disability as defined in Section 23 of the Social Security Act; (b) has a physical, mental, or emotional impairment that (1) is expected to be of long-continued and indefinite duration; (2) substantially impedes his or her ability to live independently; and (3) is of such a nature that such ability could be improved by more suitable housing conditions; OR (c) has a developmental disability.
PHA	Public Housing Authority or Agency - Organization created by local government which administer HUD's Low-Income Public Housing Program and other HUD programs (not including <i>assisted housing</i> programs).
PHADA	Public Housing Authorities Directors Association
"Pipeline"	Projects "in the pipeline" are currently in the process somewhere between application and final funding. This term is also refers to specific projects where proposals were submitted under authority of one program and do not reach final closing until after that program has expired and/or a new program has begun. "Pipeline" projects may assume a slightly different nature than projects which are clearly within one specific program.

Prepayment

Several of HUD's multifamily *mortgage insurance programs* provide subsidies to projects so that units will be affordable by low- and moderate-income families. These programs include the Section 221(d)(3) Below Market Interest Rate (BMIR) program, the Section 236 program, and, when combined with Section 8 or rent supplement assistance, the Section 221(d)(3) Market Rate program. Regulations applicable to these programs generally provide that the mortgage may be prepaid during the first 20 years of the mortgage with HUD's consent and, after that, without HUD's consent.

In 1983, Congress established criteria that must be met before HUD may consent to the prepayment of a Section 221(d)(3) BMIR mortgage, Section 236 mortgage, or Section 221(d)(3) market rate mortgage with rent supplement assistance.

Pre- or Post- (1981) Universe

This terminology is used only when referring to Section 8 and PRAC projects. These "universes" are the result of legislation passed in 1981 which divided Section 8 programs based on the original HAP contract date. Those *HAP contracts* effective before October 1, 1981 are considered "pre-universe" and those effective on or after October 1, 1981 are considered "post-universe."

Pre-universe rules limit the admission of low-income tenants to 25 percent of the units under contract at the specified date. However, no project by project limitation on admissions has been imposed.

Post-universe rules limit new admissions to only *very low-income* applicants, unless HUD approves an exception.

Project-Based Rental Assistance

Payments made to owners of private housing on behalf of qualified *low-* and *very low-income* tenants, generally through project-based Section 8 or *PRAC*.

Project Rental Assistance Contract (PRAC)

The PRAC is the contract entered into by the Owner and HUD setting forth the rights and duties of the parties with respect to the project and the payments under the PRAC. The "Project Rental Assistance Contract" program was created in 1990 and contains the new form of *rental assistance subsidy* for the 202 and 811 *capital advance programs*. The 1995 Rescission Act changed the term of the subsidy from 20 years to 5 years. (see *Section 202/PRAC*)

Property Disposition (PD) The purpose of the PD program is to provide Section 8 assistance in connection with the disposition of HUD-owned multifamily projects, in order to maintain the amount of decent, safe, and sanitary housing affordable by low-income families and to minimize displacement. This program is open only to those projects already in decent, safe, and sanitary condition, and to those needing *moderate rehabilitation*.

When a borrower of an FHA-insured property has defaulted on an insured mortgage, the lender may assign a mortgage to HUD and file a claim for payment. The claim is made against the insurance fund, which is funded through the payment of mortgage insurance premiums (MIP). FHA would then pay the lender 99 percent of the unpaid mortgage balance and most of the delinquent interest, and FHA would assume all collection and loan servicing responsibility. In effect, FHA becomes the new lender for the mortgage and attempts to collect outstanding amounts and restore financial soundness to the project. Often HUD must then negotiate a workout plan that will.

Proposed Rule A proposed rule is suggestive language up for comment that is not effective until final language is published. On the other hand, when an *interim rule* is published, it is in effect until comments are taken in and a final rule is published.

Recertification The documentation and verification process required to be performed by HUD managers at least once each year. The “annual recertification” begins approximately 90 -120 days prior to each resident’s anniversary date. “Interim recertifications” take place when a resident informs management of a significant change in income during the course of the rental contract year. (see also Certification)

Rental Subsidy *Housing assistance payment* usually equal to the difference between the tenants share of the rent and the rent charged by the owner.

The tenant rent contribution is generally the highest of: a) 30% of adjusted monthly income; b) 10% of the person’s monthly income; or c) the welfare assistance payment adjusted for or designated as housing cost

Rent Supplement Program

Supplemental payments to owners of private housing on behalf of qualified *low-income* tenants, authorized by Section 101 of the Housing and Urban Development Act of 1965. A fixed amount that does not change over the years and is allocated as available. At the discretion of the owner, it can be spread thinly to assist greater numbers of residents or applied in greater amounts which results in assisting fewer residents. New contracts are no longer available and have been replaced generally by the Section 8 program.

Rescission

Administration request for Congressional action to withdraw *budget authority* which would otherwise become available to continue to be available.

Residual Receipts

Amounts received by the facility through subsidy payments which are over the gross unit rent. These amounts historically are the property of HUD. Certain projects are required to routinely turn these back to HUD for redistribution to other programs. Some project types keep these amounts in separate accounts and may be authorized to access them for HUD approved expenditures which may include funding for *CNA's*, *service coordinators*, etc.

In the event of *prepayment*, projects may be requested to return the funds to HUD.

Replacement for Reserves

Sometimes also referred to a Reserve Replacements or the R&R account. This is a separate account which is added to regularly through unit rent receipts. The unit cost has a built in amount which is set-aside for expected/projects needs of the plant structure or infrastructure over the years, such as roof replacement, elevator replacement, etc.

Rural Housing

Rural housing programs, such as *Section 515*, were very recently placed under the jurisdiction of the *Rural Housing Service (RHS)*, but the name and acronym of Farmers Home is expected to be better associated with these programs for a long time.

Rural areas usually have a population between 1 - 10,000 and are defined as an area not part of or associated with an urban area. There are eligibility breakdowns for areas with populations under 2,500; 10,000; and occasionally 20,000.

Rural Housing Service Formerly the *Farmers Home Administration (FmHA)*, the RHS is the part of the U.S. Department of Agriculture which administer loans, grants and related assistance for housing and community facilities for low-income rural persons and their communities. AAHSA members with assisted rural housing projects are usually in the *Section 515* program.

Section 8 Section 8 is a rental assistance subsidy. The subsidy may be paid either directly to the owners as a *project-based rental assistance* subsidy or to the program participant/tenant as a *tenant-based rental assistance* subsidy.

Projects funded under Sections 202 (“old 202”), 236, 221(d)(3), and 515 may have some or all units which receive Section 8.

Under the Section 202/8 program (1974 - 1990), Section 8 is a project-based subsidy guaranteed for 100 percent of the Section 202 units. It was included in initial project development as a Housing Assistance Payments (HAP) contract.

Section 202 (1959 - 1969) Loans for the construction or rehabilitation of housing for the elderly and handicapped, authorized by the Housing Act of 1959. This program has been modified several times of the years. It was originally designed as a direct loan for the construction/development of housing for the elderly. These are sometimes referred to as “old 202” projects. In 1964, the program was amended to add physically handicapped. The program was suspended in 1969, with the creation of the Section 236 program.

Section 202, Direct Loans for Housing for the Elderly or Handicapped (1974 - 1990) In 1974, the Section 202 program was revived, revised to include Section 8 funds for 100 percent of project units, and extended to cover chronically mentally ill persons.

or Section 202/8 This program provides loans for the construction or rehabilitation of housing for the elderly (and handicapped/disabled) which is linked with a Section 8 *HAP* contract. The loan is generally a 40-year loan with a 20-year rental subsidy attached when the contract is signed. This program is currently inactive.

The Section 8 subsidy for many of these projects will be expiring shortly - this is key to understanding the scope of the discussion concerning Section 8 contract renewals and/or extensions.

Section 202/PRAC

The Section 202 Program was enacted by Congress in 1959 to provide housing assistance for the elderly and disabled. In 1990, Congress placed housing for the handicapped under a separate program called Section 811.

This program provides Federal financial assistance to private nonprofit organizations for the purpose of providing supportive housing for the elderly, to finance site acquisition, the construction, reconstruction, or rehabilitation of structures for housing for the elderly. The financial assistance is (1) a capital advance for construction/development which is interest free and does not have to be repaid so long as the housing remains available for the very low-income elderly for a minimum of 40 years and (2) a dwelling unit rental subsidy program are arranged as a Project Rental Assistance Contract (PRAC), no longer through Section 8. Initially, the PRAC fills the gap in project operating budget shortfalls, supplementing the rental payments received by tenants. Originally the PRAC was a 20-year contract, but as a result of the Rescissions Act of 1995, all projects funded since FY95 have a lesser 5 year term. Sponsors are encouraged to design 202 facilities with services in mind. Projects must provide the necessary services for the occupants from a range of services which may include, but is not limited to, meals, health, continuing education, welfare, counseling, homemaking, recreational, informational and transportation services.

Section 221 (d) (3)

Mortgage insurance program available to nonprofit and profit motivated mortgagors for the financing of construction or rehabilitation of rental or cooperative structures for housing for low- and moderate-income families. Facilities may be designed for occupancy wholly or partially for the elderly, and the mobility impaired of any age.

In return for the mortgage insurance, owners are to make these rental housing units available to low- and moderate-income residents through the term of a 40-year mortgage. The mortgages, however, include a provision that allows for-profit owners to pay the balance of the mortgage after 20 years.

Section 231

Program providing federal mortgage insurance to finance the construction or rehabilitation of rental housing for the elderly or handicapped established in 1959. Section 231 communities usually consist of a mix of units. At least 50% of the units must be set aside for elderly families, and disabled families are to receive a preference for the remainder of the units. This program is no longer in use, but projects financed under this program exist today and are obligated by the contract terms agreed at the time.

Section 232

Program which authorizes the Federal Housing Administration (FHA) to insure mortgages for up to 90 percent of value for the new construction or substantial rehabilitation of nursing homes, board and care homes, and assisted living facilities, as well as combinations of these types of projects.. Facilities must serve 20 or more patients who require skilled nursing care and related medical services or need minimum, continuous care by skilled personnel.

Section 236

Begun in 1969, this is a program linking *mortgage insurance* and mortgage interest reduction , and sometimes operating subsidies, to create housing opportunities for lower income households. The program is designed to assist private owners to build and operate rental housing which may be wholly or partially for the elderly with usually 10 % of the units designated for persons with mobility impairments. The mortgage interest reduction results in lower debt service for the life of the 40-year loan, thereby allowing for lower tenant rents. The mortgage includes a provision that allows for-profit owners to pay the balance of the mortgage after 20 years. (see also, “*prepayment*”)

Section 236 projects may included self-contained apartments, congregate facilities, or a combination of the two. This program may receive other forms of rental assistance, including Section 8 housing assistance payments.

The Section 236 program was eliminated in 1973, after the development of approximately 600,000 units, by the Nixon Administration’s moratorium on assisted housing construction and was replaced by Section 8 rental assistance.

Section 236 Market Rent

One of four possible rent variables used to determine individual tenant rent payments - for *Section 236* projects only. *Section 236 market rent* is budget-based and determined using the mortgage payments **at the market interest rate**, the mortgage insurance premiums paid by the owner, and the owner's share of utility costs paid for the unit. (See also, *Basic Rent*, *Fair Market Rent*, and *Adjusted Annual Income*.)

Section 515

Created as part of the Housing Act of 1949, this program provides 50-year, one-percent mortgage loans for the construction of moderate- and *low-income* rural family housing. Approximately 40 percent of Section 515 units are occupied by the elderly. This program is administered by the *Rural Housing Service (RHS)*, formerly known as *Farmers Home Administration (FmHA)*.

Section 811 - Supportive Housing for Persons with Disabilities

also known as 811/PRAC

The purpose of the Section 811 program is to enable *persons with disabilities* to live with dignity and independence within their communities by expanding the supply of housing that provides supportive services which address the individual health, mental health and other needs of the residents and is designed to accommodate these special needs. To accomplish this task, direct Federal *capital advances* are provided to assist private, nonprofit corporations to finance the acquisition, with or without rehabilitation (group homes), the construction or rehabilitation of housing, and may include real property acquisition, site improvement, conversion, demolition, relocation, and other expenses of supportive housing for persons with disabilities. The disability categories are Chronic Mental Illness (CMI), Developmental Disability (DD), and Physical Disability. Funding for the Section 811 program is made through a competitive process only once a year.

**Supportive Housing
for the Elderly**

First authorized in 1990, the purpose of the Section 202/PRAC program is to enable elderly persons (over the age of 62) to live with dignity and independence within their communities by expanding the supply of housing that exists to address the supportive service needs of the *low- or very-low income* elderly resident.

**also known as
202/PRAC**

Funding for the Section 202/PRAC program is made through a competitive process only once a year. A notice of funding availability (NOFA) is published in the Federal Register and applicants contact the local HUD office for application materials. Applications are rated and ranked and the highest scoring application is funded. Funding awards are made on or around September 30 of every year.

Service Coordinator

Service coordination is the activity of linking a resident to needed supportive services or medical services which may be provided by private practitioners or agencies in the general community. Additionally, the term may cover case management, both formal and informal, in which the service coordinator assesses service needs of the resident and determines eligibility for public services, and makes resource allocation decisions.

HUD funding may be used/obtained for the hiring of service coordinators in the following *assisted housing* projects: Section 8 (including Section 515/8), 202, 202/8, 202/PRAC, 221(d)(3) and Section 236 for the elderly, disabled or family households. Funding was initially provided in two ways, through a national competition with other properties for a limited amount of Section 8 funding, or through the use of the property's residual receipts, budget-based rent increases or special rent adjustments. The 1995 *Rescission Act* took back funds already awarded to 12 facilities for their service coordinators. The first of the 5-year grants issued in 1992 will begin expiring in 1998, and will require \$3.6 million annually to sustain the first wave of contract expirations.

Public housing also may provide service coordination which may be directed to family needs such as job-training and placement programs, child care, and for assisting residents/communities faced with problems resulting from *mixed populations*.

**Tenant Assistance
Payment**

The monthly amount HUD pays toward the tenant's rent and utility costs, includes the Rent Supplement, RAP and Section 8 regular monthly payments.

Tenant-Based Rental Assistance Payments made to qualified *low- and very-low income* persons which is not tied to a facility, but is portable (stays with the qualified person) in the form of a Section 8 certificate or voucher.

Total Tenant Payment (TTP) The term often used in contract and rent adjustment language referring to the amount which a resident pays based on 30% of annual adjusted income. In cases where utilities are not covered in project expenses, and tenant has extremely low adjusted income, the TTP may be a negative amount. A negative TTP results in the project paying a certain amount to the resident for the specific purpose of helping to pay utilities. (See also, *Minimum Rent*)

Very Low-Income (Families) Families whose incomes are no higher than 50% of the area median

Vouchers/Certificates Vouchers and certificates used to be completely distinct programs with many similarities and a few unique differences. In 1998 a rule was issued merging the two programs into one, a new "Housing Choice Voucher" program which is administered by the local Public Housing Authority (PHA). This Section 8 rental voucher program, provides a promise of *tenant-based* rental assistance payments to an income-qualified household, which then finds a unit to rent. If the unit meets the Section 8 quality standards, the PHA then pays the landlord the amount equal to the difference between 30 percent of the tenant's adjusted income (or 10 percent of the gross income or the portion of welfare assistance designated for housing) and the PHA-determined payment standard for the area. The rent must be reasonable compared with similar unassisted units. In September 2000, HUD's Office of Public and Indian Housing issued a notice (Notice PIH 2000-41) implementing authority to use Section 8 vouchers in assisted living facilities.

Unlike HUD's former certificate program, in which maximum subsidy levels were governed by the FMR, maximum subsidies under the new Housing Choice Voucher program are governed by a "payment standard." Rather than being required to set subsidy levels at the FMR that applies to the entire FMR area--which may be too low or too high for the particular communities they serve--PHAs have discretion, without requesting HUD approval, to set voucher payment standard amounts anywhere between 90 and 110 percent of the published FMR for each unit size. PHAs also may set different payment standard amounts within this range for designated parts of the FMR area. This gives PHAs substantial flexibility to adapt the voucher program to local market conditions.

See also "*enhanced vouchers*."