

The CA Quarterly Review



WINTER 2003

Did You Know....

HUD has a Web Access Security Subsystem called WASS, available to owners and agents. WASS consists of a number of HUD subsystems and includes Benefit History Reports/Social Security Verifications, and TRACS Discrepancies and Fatal Errors. Much of the information available through WASS is explained in the subsystems' home pages on the Internet, such as Tenant Assessment Subsystem (TASS), for Social Security benefit data. In order to gain access to the system, you must go to www.hud.gov/offices/react/online/reasyst.cfm. Prior to gaining access, your organization must decide which staff members will have coordinator and user access. The HUD page listed above will walk you through the steps to sign up for access and has frequently asked questions and technical support, if needed.

2 Processing Budget-based Increases

3 The 3 Acceptable Forms of Verification

If you have ideas or suggestions for *The CA Quarterly Review*, or if you would like to change an e-mail address or submit a new one, please contact Kim Bianchi at AHSCnewsletter@ahscoho.org.

How Budget-based Increases Are Processed

AHSC processes budget-based rent increase requests submitted by owners. Owners should submit their requests 120 days before the anniversary date of their contracts.

When AHSC receives the owner's package, staff reviews the submission for completeness and required notice to residents using the guidelines in Chapter 7 of the HUD Handbook 4350.1.

AHSC

- Reviews the submission for eligibility and completeness. If submission is not complete, AHSC sends the owner a letter requesting missing items. One of the submission requirements for a budget-based rent adjustment request is a Utility Analysis, if all or some utilities are paid directly by the tenant. (*See related article*).
- Analyzes proposed expenses on the budget worksheet.
- Completes Appendix 5 (see related article) to determine if the property's current financial circumstances warrant an increase.
- Takes a look at the ability of the owner to use Residual Receipts to cover all or part of the increase, and processes the rent adjustment request accordingly. Thus, even though the owner originally requests a 4.6% increase and the Appendix 5 increase factor was 4.6%, the actual increase in rents may only amount to 3.0% because the remainder of the increase can be covered by a withdrawal from the Residual Receipts account.
- If the increase factor is greater than 5%, AHSC forwards its recommendation to HUD for approval.
- After receiving HUD's response, AHSC prepares a new rent schedule and forwards that to the owner for signature or, in the case of a denial, sends the owner a letter.
- When the owner returns the signed rent schedule, AHSC begins the funding process.

After receiving confirmation from HUD that the funds necessary to cover the increase in rents is available and ready for use, AHSC will draft a letter to the owner informing him/her of the date the new rents may be implemented.

What is Appendix 5?

Appendix 5, also referred to as the "Rent Computation Worksheet," is a HUD-developed, standardized tool that uses income, expenses, debt and financial needs requirements based on the property's individual financial profile to determine how much money is needed to effectively operate the property. When all calculations are completed, an **Increase Factor** is generated. If the factor is negative, the property's current financial profile does not warrant an increase. In this case, AHSC will deny the budget-based rent increase. Owners are able to appeal the decision, if they believe the increase should have been granted. If a positive increase factor results, AHSC goes forward with processing of the request. Appendix 5 is found in HUD Handbook 4350.1, Chapter 7.

Cameo: Kathy Isom

Kathy Isom is the Central Contract Specialist for the Akron Region. She is a native of Muscle Shoals, Alabama, who moved to Cleveland with her family at age four. She has attended Cuyahoga Community College, completing coursework in General Studies. Prior to coming on board with Assisted Housing Services Corporation she worked for five years at Charter One bank as an underwriter in the Mortgage Loan department.

In her capacity as a Central Contract Specialist, she processes vouchers, special claims, rent adjustments, and contract renewals for the thirty-nine properties in her portfolio, as well as serving as the central point of contact for owners/agents of her assigned properties. When asked what she likes best about her job Kathy responded, "I like working independently and enjoy the challenge of meeting deadlines on time."

Kathy lives with her husband of twenty-two years and her two sons, ages 17 and 21, in the city of Cleveland. Her spare time is spent shopping at flea markets, sketching, or bowling.

Verification Requirements

Owners are required to verify all information on Form 50059 provided by applicants and tenants. This information includes all sources of income, expenses, assets, household characteristics (birthdates and social security numbers of dependants over age six) and any other circumstances that may affect eligibility for assistance. The three acceptable forms of verification are as follows:

- ***Verification by a third party.*** Whenever possible, written verification from an institution is always preferred. Before any information is released from a third party, a consent form must be obtained from the tenant allowing disclosure of information. If written verification cannot be obtained, direct contact with the source is acceptable. Owners should be sure to properly document the conversation in the applicant's file, including the date, the name of the person and the organization contacted.
- ***Verify information by reviewing documents*** submitted by the tenant. Owners may only use this form when the information does not need to be verified by a third party, such as birth certificates or adoption papers, or when third-party verification is not possible or is delayed for more than four weeks.
- ***Notarized statement from the tenant.*** This is only acceptable under two circumstances - either such certifications are authorized by Handbook 4350.3, Appendix 4, or none of the previous forms of verification can be obtained.
- ***Social Security Income and Supplemental Security Income.*** Owners may verify these benefits using the award or benefit notification letters prepared and signed by the authorizing agency. TASS also has benefit information available to owners electronically and can be accessed through the WASS system.

Requirements for Utility Analyses

Guidance on how to do an analysis is briefly explained in HUD Handbook 4350.1, Chapter 7, Section 7-24.

As clarification of these instructions AHSC requires the following:

1. A detailed breakdown of each bedroom size usage for an entire year. This can be obtained through your utility company, your Public Housing Authority or from tenant bills. (See related article for ways to obtain this information.)
2. You need not provide a breakdown for each unit, but a representative sampling of each unit type. For example: You should provide a year-long record of electrical usage at 5 one-bedroom units if you have 25 one-bedroom units under a HAP contract.
3. In addition to the information provided by your utility company, you should provide your recommendation for either an increase or decrease in the utility allowance, along with identifying the type of utilities covered by the utility allowance. As detailed in the example below, this means you would add the monthly utility cost for the year of each of the 5 units in your sample selection and then divide each unit's costs by 12 to arrive at the monthly average. Add that 1/12 amount of each sample unit together and divide that total by the number of units in the sample. The result is the total monthly average for the type of unit.
4. In this example, the average utility allowance of the 5 sample units of one-bedroom apartments was \$41.60. Rounding up that dollar amount, you would request that the allowance be increased to \$42/mo. for all one-bedroom apartments. You would repeat this process for each bedroom type. Utility costs for common areas are not to be included in your submission.
5. This number and your explanation of how you arrived at it, as well as the supporting documentation you received, should be included in your request. AHSC will not calculate this amount for you.

By providing all of the above information in your rent increase package or your request for change in the allowance based on a 10% change in cost, AHSC can expedite your requests.

Example:

1 Bedroom Apartments	Monthly Average (adding 12 months of billing and dividing by 12)
3B	\$43.00
2C	38.00
10F	46.00
22B	41.00
13F	40.00
Total divided by 5 =	\$41.60

How to Obtain Utility Records

1. Contact your utility company and provide them with a list of addresses and ask for the 12-month Budget Billing amount for those addresses. Do not ask for payment records of a specific tenant, because the utility company may require you to get written permission for these records. Example: Ask for the Budget Billing amount for 1234 Main Street.
2. If the utility company does not provide this information, contact your local Public Housing Authority and ask for their utility estimates by bedroom size for the region where your property is located.
3. Failing that, ask the tenant for utility bills for the previous year to determine the average utility usage.