CHAPTER 4   TRACS Operating Tips

Chapter 4 contains practical information on resolving common errors and dealing with various situations. It includes new requirements for site and CA software vendors.

Color coding: Yellow or Aqua indicates new or changed text since 2.0.2.C.
Note: Handbook references are to HUD 4350.3 Rev-1, Change 4.

Contents

4.1 How to Decide What Transaction to Submit for a Change in Unit

Possible Transactions to Change a Unit Association	Has the Project Number for the affected Household changed?	Has the Contract Number for the affected Household changed?	Has the actual Unit Number for the affected Household changed?	Notes
MAT70 (Unit Transfer transaction)	No	No	Yes	Submit a Unit Transfer for the household to transfer to the new unit. There are no other changes affecting household composition or household income.
MAT10 (Annual certification or Interim certification transaction with Unit Transfer Code field = 'Y', and the previous unit number field populated with the appropriate value.	No	No	Yes	A unit transfer of this type must be submitted when the tenant is transferring to another unit at the same time that an Annual or Interim Recertification is due. Submit a MAT 10 to update household and financial information and ensure that the Unit Transfer Code = 'Y' and the previous unit number field has appropriate value. In the case of an AR/UT combination, the AR effective date is always the first. For this to be a legal transaction, the unit transfer must also be effective on the 1st of the month. When the family has a change in composition or income (income increases of $200 or more or a decrease), it may be appropriate to complete an IR/UT. If the change in household composition and/or household income occurred on or before the unit transfer date, an IR must be created with the unit transfer flag set to Yes. If the rent changes (up or down) as a result of the change in household composition or household income, the IR/UT (rent

				change) will be effective on the same date as the unit transfer. **This means that a mid-month IR/UT is required when there is a change in household income and/or household composition and the transfer date is other than the first of the month**. This policy is based on 4350.3, 7-15.C. "In the case of a unit transfer, both the change in rent and change in the assistance payment are effective on the day the tenant actually occupies the new unit." **See Notes Concerning Full Certification UTs below this table for more details**.
MAT65 and MAT10 (Termination transaction followed by an Initial Certification transaction.)	No	Yes	Yes/No	In this scenario, a contract has expired or merged with another contract or a tenant is moving to another unit simultaneously with a change in subsidy type or contract. Submit a MAT 65 transaction to terminate the assistance under the existing contract. Subsequently, submit a MAT10 Initial Certification including updated TTP and HAP values to establish tenant in new unit and contract. The Previous Unit Number field should be filled with the appropriate value. Set the Unit Transfer Code to 'Y'.
MAT40 and MAT10 (Move-Out transaction followed by a Move-In transaction.)	Yes	Yes	Yes	In this scenario, a tenant is moving out of an existing unit and contract to a new unit in a different project and contract. Submit the Move-out transaction to move tenant out of existing unit/contract. Submit a Move-In transaction with updated values to establish tenant in new project, contract, and unit.

Notes Concerning Full Certification UTs:

Normally, changes in household composition and /or household income drive interim certifications (IRs) and the effective date of those interim certifications is specified in HUD Handbook 4350.3 Rev 1, Paragraph 7-13. Assuming that the tenant reported in a timely manner, increases in rent begin the first of the month after a 30-day notice is provided. Decreases in rent begin the first of the month following the date of the action that caused the interim.

The exception would be when an action that would normally drive an interim certification occurs on or before the date of a unit transfer and before the anticipated effective date of the IR. These changes are reportable on the full certification UT so that the new lease includes current household circumstances.

There are several scenarios to consider:
1. If the UT happens ahead of the change of household composition or household income, this rule does not apply. Submit a UT followed by an IR per handbook rules for Interim Certifications. For example.
   a. Tom (HOH) and Terry (dependent) live in unit 101.
   b. They transfer to unit 201 on April 10th.
   c. Sylvia (new wife) moves in to the unit on April 21st.
   d. Sylvia has income so the family's rent will increase.
   e. In this case, the UT (MAT 70) is effective on April 10 and,
   f. Assuming notice was sent on April 21, the IR is effective June 1.
2. If the change of household composition or household income happens on the UT date, include the new household composition and financial information on the AR or IR (full cert UT). Do not submit a UT followed by an IR. For example:
   a. Ray (HOH) and Rachel (spouse) live in unit 1-A
   b. Rachel's 12 year old son is moving in with them
   c. Unit 2-B becomes available
   d. Ray and Rachel move in to unit 2-B on June 14 and Ryan moves in the same day (decreasing rent)
   e. An IR adding Ryan is created with the unit transfer flag is set to yes.
   f. The IR reflecting the decrease in rent and the unit transfer is effective on June 14
3. If the change of household composition/household income occurs prior to the UT date there are three cases:
   a. The change in household income/household composition is being reported on an AR effective the same day as a unit transfer. Submit the AR with the unit transfer flag set to yes. Any changes to rent are effective the same date as the AR/UT
   b. The change in household income/household composition occurred before the UT date. If traditional IR rules applied, the IR would be effective after the UT date. However, with this 202.D change, if the UT occurs after the change but before the "traditional" IR effective date, a mid-month IR is created with the UT flag set to yes. Any changes to rent are effective the same date at the UT. For example:
      i. Mary (HOH), Mark (co-HOH) and Marvin (dependent child) live in unit 100-A
      ii. Mary gets a new job on October 5 and her income increases by $15000 per year
      iii. Normally, an IR is done increasing the household rent effective December 1
      iv. However, Mary, Mark and Marvin transfer to unit 315-B on October 30
      v. An IR is created with the unit transfer flag set to yes
      vi. The IR/UT is effective October 30 and includes the family's income increase

c. The change in household income/household composition occurred before the UT date. If traditional IR rules applied, the IR would be effective after the UT date and that IR has been sent. If the UT occurs after the change but before the "traditional" IR effective date, a mid-month IR is created with the UT flag set to yes. Any change to rent is effective the same date at the UT. The original IR is corrected to reflect the new unit number For example:

    i. Carey (HOH), Carla (co-HOH) live in unit B-21
    ii. Carey starts receiving SSI on February 21 and his income increases by $5000 per year
    iii. An IR is done increasing the household rent effective April 1
    iv. Carey and Carla transfer to unit C-21 on March 15
    v. An IR is created with the unit transfer flag set to yes
    vi. The IR/UT is effective March 15 and includes the family's income increase
    vii. A correction is made to the IR effective April 1 to correct the unit number
    viii. The IR/UT effective March 15 should be sent first in a separate TRACS transmission
    ix. The IR effective April 1 should be sent after the March 15 IR has been successfully recorded

HUD Projects with Tax Credits:
Tax credit rules for unit transfers depend on whether the transfer is within a building or between buildings. Between building transfers may be handled differently depending on whether the two buildings are part of a tax credit multiple building project. In some cases tax credit rules require a requalification event instead of a UT. This is often implemented as a MO/MI on the tax credit side.

HUD does **NOT** want to see a MO/MI in those situations. HUD rules prevail for HUD transactions and a UT must always be implemented as a UT. From a HUD point of view, the household is not requalifying, they are just changing units. Also, keep in mind that it could happen that the tax credit MI will have income that does not have to be reported to HUD because the change is less than the $200 per month threshold.

4.2 How to Correct a Move-Out

Once a Move-Out (MAT40) transaction for a household has been processed, the 'Move-Out Code' can be corrected by submitting a subsequent Move-Out (MAT40) transaction with a new value for the field and setting the Correction Type field to a value of R.

A Headquarters (HQ) move-out can be corrected in the same manner. Often a user wishes to change the 'Move-Out Date' for an HQ Move-Out to replace the TRACS determined Move-Out Date with another value.   Please note that, prior to 2.0.2.C, TRACS did not allow the new Move-Out Date to be greater than the Headquarters (HQ) move-out date. Under TRACS version 2.0.2.C and later the move-out is accepted and the new property is notified and expected to charge market rent from the original new property move-in date through the move-out date from the old property. The new property is expected to terminate the tenant effective on the move-in date using the DS termination code. It is not clear what penalty would apply to a household moving in to a PAC or PRAC property. However HUD policy has been asked if this situation should be treated in a way similar to handbook guidance on failure to recertify in a PRAC per 4350.3, 7-8.D.3.b: "In a Section 202 PRAC or *Section 811 PRAC project the tenant will be evicted for failing to comply with the recertification requirements.* The tenant will pay

the greater of operating rent or 30% of income until eviction procedures are completed." The policy ruling will be added to this section as soon as it is available.

4.3 What to Do After Receiving an HQ Move-out Message

If you receive an HQ123 message indicating that one of your tenants has moved in to another subsidized property you should investigate immediately. If you believe that your tenant is still in residence, determine the facts. If the tenant has given notice, you should submit a move-out effective on the actual move-out date. If the tenant has not given notice, determine whether you are dealing with a skip or whether the tenant is planning to move but has not given notice. There have been cases where a tenant on a waiting list in another property has been moved in by mistake, so do not assume that an actual move-in has occurred. In all cases, the move-out record should record the actual move-out date or the date on which you gain possession of the unit in the case of a skip.

If you receive an MA003 message indicating that one of your recently moved-in tenants has moved out from another subsidized property after your move-in date, perform the following:

1.   Verify with the other property, that the move-out date is correct and in agreement with the examples in the table below. You should charge the tenant market rent starting with the original move-in date and through the move-out date indicated in the MA003 message.

2.   Next, terminate the tenant effective on the move-in date using the new DS termination code to indicate that no subsidy is earned for the termination day.

3.   Finally, perform an initial certification effective the day after the effective date of the move-out from the former property to establish the start of subsidy in the new property.

4.   You should also submit an adjustment, on the next voucher, refunding subsidy from the original move-in effective date through the day prior to the new move-in date.

NOTE: To avoid these situations, owner/agents are required to use the EIV Existing Tenant Report query allowing you to see if an applicant is living in another subsidized property. A positive response allows you to coordinate the MO and MI dates appropriately. If the tenant is moving in shortly before the MO from the old property, the MI should be done at market rent. The day after the MO from the old property, an IC should be processed moving the tenant to subsidy.

Move-Out/Move-In Scenarios

	Old Property			New Property	
Notice	Actual MO Date	Reported MO Date	Last day of subsidy	Actual MI Date	First day of subsidy
30 Days	12/31	12/31	12/31	12/31**	1/1
30 Days	12/31	12/31	12/31	1/1	1/1
30 Days	12/31	1/1 or later*	12/31	1/1	1/1
30 Days	12/31	12/31	12/31	12/25**	1/1
Skip-No notice	12/31 = Date Management Takes Possession of Unit	12/31	12/31	12/25**	1/1
0-29 Days	12/31	12/31	12/31	12/31**	1/1
0-29 Days	12/31	12/31	12/31	1/1	1/1
0-29 Days	12/31	1/1 or later*	12/31	1/1	1/1
0-29 Days	12/31	12/31	12/31	12/25**	1/1

*This date is incorrect. In all cases the reported MO date should be the same as the actual.

**This date, while actual, is not acceptable as a start of subsidy date. Subsidy may not start in a new unit and property until the day after the end of subsidy in the old unit and property.

Should a CA or HUD office be asked to adjudicate a dispute between two properties in a double subsidy situation, their sole task is to determine the move-out date according to the HUD rules. That date determines the end of subsidy in the old unit and the start of subsidy in the new unit. The previous property is entitled to subsidy through the move-out date. The new property is entitled to subsidy starting the day after the move-out date.

NOTE: The difference between a skip and a 0-day notice situation is that the actual move-out date is known in the 0-day notice case—namely when the tenant turns in the keys. With a skip, discovering the fact of the move-out is not necessarily the date on which the

owner gets legal possession of the unit. <mark>See Mat Guide, Chapter 5, MAT40, field 10—Transaction Effective Date</mark>. In some jurisdictions, owners have to get a court order to take possession of the unit if anything has been left behind.

NOTE: Some owners have a policy of submitting a move-out effective the last day of the month even if the notice period ends earlier. Others will submit a move-out effective at the end of the notice period even if the tenant has moved out earlier. Neither of these practices is appropriate. The move-out date is always the actual move-out date or the date that the owner takes possession of the unit in the case of a skip.

4.4 How to Re-establish a Tenant Certification Following a Move-out

Should there be a need to re-establish a Tenant in TRACS after a Move-Out transaction has been successfully processed, there are two methods available when the tenant moves back into the property:

- Submit a MAT10, Move-In transaction.

- Submit a MAT10, Initial Certification transaction.

If, however, the move-out was submitted in error and you simply want to undo the MO, resubmit (as a correction) the most recent full certification effective prior to the MO date. In addition resubmit any partial certifications effective after that full cert. Should there be any certifications effective on or after the MO date, resubmit them as well.

4.5 What to Do After an HQ Termination Due to Failure to Receive an AR

NOTE: An HQ termination should be effective the day before the recertification anniversary date. This advice applies to owner-initiated terminations as well.

If an annual certification was prepared on or before the effective date of the AR and any adult household member failed to appear to sign the certification, the household must be terminated unless extenuating circumstances exist.

If the tenant has reported for recertification at any time prior to the recertification date, but the owner/agent did not or could not complete the steps in Handbook Figure 7-3 by the AR effective date, submit an annual recertification <mark>and do not change the AR effective date. This is true regardless of whether or not the owner/agent is responsible for the late certification</mark>.

If the tenant reports on or after the recertification date:

- If there are extenuating circumstances <mark>including consideration of a reasonable accommodation</mark>, an annual certification should be submitted.

- If there are no extenuating circumstances, the tenant should be terminated effective the day before the recertification anniversary date. Any initial certification taking the tenant back to subsidy should be effective on the first of the month following the date on which the tenant reports.

- If a court orders restoration of subsidy back to the recertification date, submit an annual recertification.

<mark>See also 4.39.6 below for a detailed discussion of the 15-month rule.</mark>

4.6 How to Split a Household or Move a Household Member to Another Household

(Updated 12/1/2008 to reflect new policy guidance)

These are cases where what was formerly a single household becomes two households (household splits) or where two existing subsidized households exchange one or more members (household swaps). A split can be more formally defined as the creation of a new subsidized household by one or more members of an existing subsidized household, leaving at least one member of the existing household in place. A swap can be more formally defined as a situation, starting with two existing subsidized households, where one or more members of a household move to the other household leaving at least one member behind. In some cases the move is in one direction only—only one household loses members and the other gains. In other cases the move could be in both directions—each household adds and subtracts members.

Examples of situations covered are similar to the following:

- Head and Spouse, in a subsidized unit, decide to separate and one or the other moves into a new subsidized unit in the same or different property establishing a new household (split).

- Another family member (other than the head or spouse), in a subsidized unit, moves into a new subsidized unit in the same or different property. This could be the adult child of the head, an unrelated member, the parent of the head or some other relationship to the head (split).

- A dependent child in a subsidized unit who qualifies as an emancipated minor, moves into a new (split) or existing (swap) subsidized unit.

- A dependent child in a subsidized unit, qualifying for the $480 deduction, moves to another subsidized unit (swap).

Earlier versions of the TRACS 202C Industry Specification and MAT Guide indicated that the proper way to deal with these cases was through a move-in and interim certification, both effective on the same day, for the case of a split and through two interim certifications, both effective on the same day, for the case of the swap. Mid-month interims were explicitly allowed. However, the original guidance conflicts with the lease requirement to give a 30-day notice in the event of a rent increase.

Household splits should now be dealt with by processing a move-in certification effective on the occupancy date for the household member or members establishing a new household (subsidy starts on the MI date) and by processing an interim certification for the remaining household member(s) in the existing unit. The interim certification effective date is determined by following the rules for interims as given in handbook paragraphs 7-13.C and 7-13.D and will always be on the first of the month when rent changes.

Household swaps should now be dealt with by processing two interim certifications adding or removing household members as appropriate. The effective dates of the two interims are determined by the rules in handbook paragraphs 7-13.C and 7-13.D and may differ from one another depending on whether the rent increases or decreases and whether the tenants followed the rules in reporting the changes.

It is important to realize that a household member can appear to be occupying two units simultaneously under the above scenarios. This is not a problem and is explicitly approved by HUD Policy.

Mid-month interim certifications involving a change in rent completed pursuant to the earlier guidance concerning household splits and swaps are not subject to a finding on a management and occupancy review.

4.7 Market Rate Tenants

A market tenant is defined as an unsubsidized tenant—one who is paying the contract/market rent for the subsidy type. These would include Section 8, RAP, Rent Supplement and 202 PAC households who are not receiving subsidy (subsidy = $0) along with Section 236 and BMIR tenants who are paying market rent. PRAC tenants are never considered market rate.

4.7.1   Submitting Data for Market Rate Tenants

Housing does not have the authority to require the submission of certification data for market rate tenants. Market tenants are defined as unsubsidized tenants. Such households are not required to recertify unless they want to begin receiving or return to receiving subsidy. Section 202 and 811 PRAC tenants, because of the unique rules of the program, are never considered market tenants even when they are paying more than the contract rent (subsidy is negative). Therefore certifications are required for all PRAC tenants whether subsidy is positive, negative or zero.

With the exception of MAT15 address records, TRACS is not programmed to accept certification records for market tenants. It will fatal certifications with $0 subsidy for Section 8, RAP, Rent Supplement and 202 PAC households.

A tenant who changes from subsidized to market status MUST be terminated and the termination record must be sent to TRACS or the CA. The fact of the termination will be recorded on the voucher (if applicable for the subsidy type) for one month per the requirements for vouchering. After that month the household will not be listed on the regular tenant assistance portion of the voucher.

A tenant who changes from market to subsidized status generally MUST qualify for subsidy and an initial certification MUST be transmitted. In the past, HUD policy has indicated that "If the project is 100% subsidized, in the case where an in-place tenant's assistance was terminated due to an increase in income and whose income decreases to where they are again eligible for assistance, the tenant should be recertified and receive the assistance. The tenant's income eligibility was determined at move-in and does not have to be determined again."

"If the project is not 100% subsidized with a deeper subsidy, e.g., Section 236 project, and the in-place tenant is moving from the Section 236 program to a deeper subsidy program, e.g., Section 8, the in-place tenant's income must meet the income limit established for the assistance contract. However, for projects that have a Section 8 contract covering part of the units, there is an exception to the very-low income limit that does not require HUD approval for tenant's paying more than 30% of income toward rent, and whose income is at or below the low-income limit (see paragraph 3-7 of Handbook 4350.3 REV-1, *Occupancy Requirements of Subsidized Multifamily Housing Programs)"*.

As an example of the market data rule, during the annual recertification process a Section 8 household's income is found to have increased such that subsidy would be $0. No AR certification is submitted showing $0 subsidy. Instead a termination (TM) is sent to TRACS effective the day before the recertification date. Eight months later, the household reports a decrease in income such that they could re-qualify for subsidy. Assuming that a subsidized slot is available, the owner/agent would qualify the tenant and submit an initial certification (IC) and resume vouchering for the tenant. The new annual certification date is based on the effective date of the initial certification – not the move-in date. If the property reviews all ARs on the same date, the new AR date would coincide with the property's AR date.

Site software vendors are free to code market tenants as they wish keeping in mind that a market tenant is not considered to be part of the subsidy program that they were formerly under except for unit count purposes on the HAP Voucher. See **Treatment of Market Tenants on the HAP Voucher** below. Therefore a terminated Section 8 tenant is no longer Section 8. The owner/agent is free to continue to use the HUD Model Lease or use a lease for the tenant that is different than the model lease.

Notwithstanding the discussion above, there are two circumstances where limited information about a market tenant must be submitted to TRACS or a CA. If a market tenant was previously subsidized and was terminated for failing to follow the program rules (refusing to recertify, for example) the owner/agent is allowed to submit special claims for a vacancy involving that tenant. The special claims guide requires that the move-out (MO) transaction be visible in TRACS before a vacancy claim can be paid. A second and related situation is that

of a terminated tenant who transfers to a new unit. The old unit may be the subject of a vacancy claim if the tenant was terminated for failing to follow the program rules. Given that TRACS cannot accept MO or UT records for market tenants and to avoid having TRACS reactivate a tenant on receipt of a UT, the site software MUST include the capability to create a MO record under the previously applicable subsidy type. In the example above, the site software would have to be able to create a Section 8 MO and transmit it to TRACS or the CA. The MO should be effective on the actual MO date if the tenant is moving out. It should be effective on the UT date in the event of a unit transfer. In both cases, the head-of-household should be reported as of the original termination date. For example, if the tenant is terminated from Section 8 on 12/31 and then moves to another unit on 1/17, site software should send a MO to TRACS or the CA effective on 1/17 listing as head-of-household the person who was head on 12/31. The MO will be a Section 8 MO and transmitted under a Section 8 TENHR.

TRACS Processing of MO certs is dependent on the next recert date on the last full certification for the household. If the MO effective date is less than three months after the next recert date, the MO will be accepted. However, if the MO effective date is after the three-month grace period, TRACS will fatal the cert with a F0185. In cases such as this, it is necessary to contact the Help Desk and have a manual move-out processed if you need to have a MO in TRACS for special claim purposes. With TRACS 2.0.2D, TRACS will accept MO transactions for dates more than three months after the next recert date. This will eliminate the need to use the manual MO process in many cases.

As discussed below, under CA requirements, CAs and CA software MUST consider terminated tenants as the equivalent of moved out for occupancy purposes. Therefore, if a CA receives a move-in for a unit occupied by a terminated tenant, the CA and the CA software must not reject the transaction. It would be acceptable to issue an informational message saying what appears to be happening and that the previously terminated tenant is no longer being considered as residing in the unit.

4.7.2   Treatment of Market Tenants on the HAP Voucher

The HAP Voucher cover page contains various unit counts including counts of market and vacant units. To get these numbers correct, it is important to distinguish between the subsidy type associated with the unit for HAP purposes and the subsidy type associated with the household living in the unit.

To give a concrete example, assume that we have a Section 236 project with 100% of the units covered by Section 8. The tenant in unit 101 has been terminated from Section 8 because income has risen to the point that subsidy would be 0. In such a case the rules require that the tenant be terminated and an IC is done moving the household to 236 and the Section 236 rent calculation. On the HAP, the count of subsidized units will drop by 1 and the count of market units will increase by 1. From a tenant point of view, the subsidy type is 236. From the unit point of view, the unit is both 236 and Section 8. The Section 8 HAP considers the unit as Section 8.

This calculation is more complex if there is more than one contract or deep subsidy in a 236 or BMIR. Depending on the regulatory agreement, the deep subsidy can be either fixed to specific units or can be floating. The fixed unit case is more straightforward because the

same set of units are always considered when generating the unit counts for the voucher. In the floating unit case, the OA must be careful in assigning a subsidy slot so as not to violate the regulatory agreement unit type counts—the numbers of each unit size that are permitted under the contract.

4.7.3   Market Tenants in Tax Credit Communities

HUD policy has ruled that a market household is not limited to paying contract/market rent when a tax credit funding program also applies to the unit. The OA is free to charge the tax credit rent if it is higher than contract/market rent.

4.8 Terminations and Initial Certifications

There has been some confusion in the industry concerning how to handle moves from one subsidy to another or from subsidized to market status and back. Some refer to market as Subsidy Type 0 (as is done in the submission of MAT15 records in some cases) and some define it simply as paying the contract or market rent for the subsidy type. The rule for termination and initial certifications is that they always occur in pairs. Terminations from market rent and ICs to market rent can be treated as either virtual or real transactions. How and if these are implemented will be software dependent. However they are implemented, market certifications are never sent to TRACS or a CA. See Market Rate Tenants-4.7-above.

NOTE: This discussion does not apply to 202 PRAC and 811 PRAC. Under these subsidy types, a tenant may pay more than contract rent and terminations related to increases in income do not apply. See **Rent Overrides** below for a discussion of how and when to raise a PRAC tenant's rent to operating rent when the rules require this to happen.

Under this model, whenever a tenant stops receiving subsidy a termination should be generated effective on the last day of subsidy. Next an initial certification should be done taking the tenant to market rent. This will be true even for Section 236 and BMIR tenants. If a Section 236 tenant is due to pay market rent, terminate from 236 and IC to market. As mentioned above, the IC may be a virtual or real transaction in a specific software.

 If a tenant receiving a deep subsidy starts to pay a Section 236 rent that is less than market rent or starts paying the BMIR rent, the termination is from the deep subsidy and the initial certification is to 236 or BMIR.

Similarly, whenever a tenant moves from market to subsidy, a termination from market is done, followed by an initial certification to the new subsidy type.

Essentially, whenever a tenant moves from one subsidy type to another or from one contract to another, a TM/IC pair of records should be created. If any of the TM or IC records are associated with a subsidy (anything but market) they must be submitted to TRACS.

While normally a termination is effective on the last day of a month in response to an AR or IR that results in $0 subsidy or for failure to recertify, there are situations where a termination on other days of the month is appropriate. For example, when contract rents are dropping in some areas, a GR can result in a TTP that exceeds the new Gross Rent. In that case, the household needs to be terminated the day prior to the GR effective date.

A related example involves a UT. A household transfers mid-month to a smaller unit resulting in assistance calculating to $0 due to a significantly lower contract rent. The TM is effective the day prior to the UT and the UT certification is not transmitted to TRACS or the CA. The logic here is similar to that in effect when you are completing an AR and find that assistance is $0. You terminate the day prior to the AR and never transmit the AR.

In both of the above examples, an IC would be needed to restore subsidy to the household in the future.

Additionally, when a resident moves-in to a unit before subsidy stops at a prior residence, the owner/agent must complete a termination using the DS termination code. In this case, the DS termination is effective on the same day as the move-in. Since move-in transactions can occur on any day of the month, the DS termination can be effective on any day of the month. Note: The same logic applies for the new NS termination code used when it is determined that the tenant was not eligible at MI or IC.

4.9 Repayment Agreements and Improper Payment Tracking

HUD has a strong mandate to track improper subsidy payments and, should it happen, the repayment of payments made in error.

Repayment Agreements: Repayment agreements come in two types: money being paid back by a tenant as a result of misreporting and money being paid back by an owner/agent as a result of an OA error (See 4350.3, 8-21). Tenant and Owner repayment agreements used to be accounted for on the HAP voucher through OARQ miscellaneous accounting request records. Starting with TRACS 202D, these transactions will be reported on a new 52670-A, part 6 voucher form and sent to TRACS in a new MAT30, Section 7 record.

Note: For the rules on calculations related to repayment agreements, see the spreadsheet 202DCalculationsForRepayments.xls. There are two tabs. The first shows the proper calculations for a payment and retention. The second shows key Section 7 record fields for various scenarios. It is important to remember that **rounding is down** for retention calculations When in doubt, use the spreadsheet to do or check the calculations.

The proper way to address retroactive adjustments that result in repayment agreements is as follows: Allow the full amount of the adjustment(s) due to the retroactive action(s) to appear on the voucher. Do not prevent the adjustments from appearing on the voucher. Reverse the amount of the adjustment subject to the repayment agreement by submitting a repayment agreement record of type Tenant or Owner (T or O).

As the tenant makes payments, enter them on the voucher as repayment agreement records. Enter one request for each tenant making a payment in the voucher month. If the tenant is making payments for multiple agreements, submit multiple repayment agreement records. The amount paid to HUD in a given month may be the amount collected less allowed collection expenses per handbook guidance.

Owner payments are handled in a similar way but there is never any reduction in the payment for expenses incurred.

If the tenant or OA is repaying all of the money due in the same voucher month as when the retroactive adjustments appear, there is no reversing entry and no payment entries. There is no repayment agreement. However, the EIV flag would be set on any certifications being added or corrected as a result of the use of EIV. In this case (full repayment and no reversal) no Section 7 record is sent.

Improper payment tracking in the absence of a repayment agreement: If the tenant has signed retroactive certifications but does not sign a repayment agreement (Case 3 below) and does not immediately pay the amount owed, the certifications are transmitted and the reversing entry is also done with a Repayment Agreement record using an Agreement Type of None (N).

Notes: While not required, it is best not to process a gross rent change in the same voucher month as transactions that will be reversed subject to a repayment agreement. If it is possible, execute the GR in one month and bill for it and then execute the retroactive tenant transactions in another voucher month and bill for them. CAs may not insist that a GR be implemented for a particular voucher. However OAs need to keep in mind handbook rules for timing of GR submissions.

The unit number reported in the repayment record should always be the unit in which the household is living on the first of the month the current voucher is created or the unit they were last in if the payment is received after move-out.

Scenarios: Questions have come up on the mechanics of when corrected certifications are submitted and whether or not adjustments related to transmitted certifications may be reversed if there is no repayment agreement and the household has not paid the amount owed. There are several scenarios after EIV or other methods disclose potential reporting problems:
1. Tenant refuses to cooperate in the investigation and moves out without signing any certifications. There is no repayment agreement.
         No retroactive certifications are created or transmitted.

2. Tenant remains in unit; verifications are completed; tenant does not sign certifications. There is no repayment agreement.
         No retroactive certifications are created or transmitted.

3. Tenant signs certifications but does not sign a repayment agreement
         Certifications are transmitted and the total adjustments caused by the certifications are reversed with a Section 7 record of type N (None). Additional information can be found in HUD Handbook 4350.3 Revision 1, Paragraph 8-21

4. Tenant signs certifications and repayment agreement.

Certifications are transmitted and the total adjustments caused by the certifications are reversed. The owner/agent uses the Repayment Agreement record to record the reversal. The Agreement Type is T (Tenant). Additional information can be found in HUD Handbook 4350.3 Revision 1, Paragraph 8-21

Rules: If an investigation results in corrected/new certifications that decrease the rent for the tenant, see HUD Handbook 4350.3 Revision 1, Paragraph 8-24 for instructions on how to handle the refund.

If investigation determines that a household was over income at MI, the household is allowed to remain in the unit and subsidy is recalculated. If recalculation of the MI certification in light of newer income determinations results in the household being at $0 subsidy, the household should be terminated effective on the MI date and using the NS termination code so that subsidy is automatically returned for the MI date. Should the household's income subsequently drop such that they are eligible for subsidy, an IC should be performed.

If the tenant or OA has multiple repayment agreements running simultaneously (one agreement for one situation and another one for a later one), payments are reported separately for each agreement so that the person auditing the transactions can see what is happening. However, if there is more than one payment in a month for the same agreement, the payments may be combined and reported as one transaction. Note that it is acceptable to have multiple instances of misreporting covered by a single paper agreement. However TRACS reporting for each instance of misreporting must be through multiple Section 7 records each with a unique Agreement ID—in effect through separate electronic agreements. The Agreement Date will also be different for each instance of misreporting.

If a repayment agreement is renegotiated as a result of changed tenant financial circumstances or for any other reason, reporting for the revised agreement must be under the same Agreement Id as used in the original Section 7 record. Doing this permits HUD and CAs to track all payments related to the original misreporting.

If there is a repayment agreement in effect and a tenant is involved in a new instance of misreporting, a new electronic agreement must be created with a unique Agreement ID and with an Agreement Date that reflects the new instance. As stated above, it is permissible to have a single paper agreement that covers multiple instances of misreporting. If this is done, the paper agreement must clearly indicate the dates of and amounts of misreporting related to each instance. Having a new electronic agreement allows HUD and CAs to properly audit payments related to specific instances of misreporting.

Site software needs to allow for the MAT30, Section 7 Record, Field 7 (Agreement Date) to accept past dates for current active repayment agreements. This situation arises the first time a payment for an existing agreement is submitted in TRACS 202D and also when an OA changes software and needs to capture original agreement dates.

Transitioning from TRACS 202C to 202D: In TRACS 202C, repayment agreement transactions are transmitted as Miscellaneous Accounting Requests of type OARQ with specific requirements for the formatting of the comment field. Under 202D, repayment agreement transactions are no longer to be transmitted as Miscellaneous Requests, even for agreements that have been in process for some time. Instead ALL such

transactions are to be transmitted as MAT30, Section 7 Repayment Agreement records. In practice, this means that the first 202D transaction for a particular agreement must include information that may or may not have been stored previously in site software. Specifically, an Agreement ID that is unique within the project must be assigned and transmitted unchanged for all subsequent transactions for that agreement. The original Agreement Date is required along with the original Agreement Amount. The former date will always be retroactive for an existing agreement. The latter amount is that of the original agreement. Both the Agreement Date and Agreement Amounts are from the original agreement even if the agreement has subsequently been renegotiated to change the payment terms. Finally, the Ending Balance on the agreement as a result of the current transaction must be filled.

4.10 Baselines—See Appendix J

There are three different uses of the term Baseline. First, there is the concept of a baseline certification. The original TRACS guidance related to baseline certifications is reproduced in Appendix J. Second, there is the Re-Baseline Process, also described in Appendix J. Finally there is the new History Baseline intended to exchange multiple years of certification and rent history between and among CAs and sites. Appendix J, contains the definitions and details for this new baseline type.

4.11 Transmission Protocols that Ensure TRACS Processing

TRACS batch processing order dictates strategies to ensure that data is processed correctly. Each night TRACS first processes all Move-outs. Next it processes all Terminations followed by all MAT10 full certifications. Finally it deals with all MAT70 UT and GR records. Input should be transmitted with an understanding of the TRACS transaction processing sequence.

Transaction files are processed within each category in order of the date-time stamp associated with the file. If a series of transactions for the same tenant are submitted within the same transmission, without regard to the sequence in which TRACS processes the transactions, the results may differ from what the submitter intended.

When there is more than one certification for a household or unit, the conservative course of action is to submit certifications in different transmissions in effective date order, waiting until a certification has been processed before sending the next certification in the sequence.

In particular, if there are two MAT70 records for a tenant it is especially important to transmit in order of effective date. If they are transmitted as part of the same batch, chance will determine which one is processed first. The last one processed is the one that will be current and active and that will show up in TRACS queries.

NOTE: A "batch" from a TRACS point of view includes all records processed in a nightly run whether or not they were sent in different MAT files.

4.12 Gross Rent Changes

The instructions below assume that all certifications processed are for the same subsidy contract/type.

When doing a gross rent change, adhere to the following guidelines:

If the effective date corresponds to that of a full certification, correct the full certification. However TRACS will accept a MAT70 effective on the same date as a MAT10.

NOTE: The handbook specifically allows for the submission of a partial certification as a full certification only for an annual recertification. In practice, TRACS will accept either a corrected full certification of any type, or a partial certification effective on the same date as an existing full certification.

NOTE: A GR may be submitted as an AR and not an AR correction if the AR has not yet been sent to TRACS. This is a perfectly legal transaction. From a CA auditing point of view, the only evidence that the AR is an AR/GR is the fact that the rents and UAs have been updated to current values. The same principle applies to other full cert types as well.

If the effective date corresponds to that of a partial certification:

▪ If the existing certification is a MAT40 move-out or MAT65 termination, submit the GR and then resubmit the MO or TM after waiting for TRACS to successfully process the GR. Set the Correction Type flag to "R".

▪ If the existing certification is a MAT70 unit transfer, submit a MAT70 UT with the rent applicable after the GR and set the MAT70 correction flags as appropriate.

▪ If the existing certification is a MAT70 gross rent, you are correcting a gross rent change and should submit a MAT70 GR setting the correction flags.

NOTE: These situations create special challenges for TRACS. The safest course of action is to back up to the last full certification, submit it as a correction, and resubmit any subsequent partial certifications effective earlier than the gross rent change.

▪ If the effective date does not correspond to the effective date of any other certification, submit a MAT70 with the new rent information.

▪ If there are other certifications, effective after the gross rent change effective date, proceed as follows:

1. Start with the certification with the earliest effective date after the gross rent date.
2. Follow the chain of certifications forward, either correcting/recalculating or resubmitting transactions.
3. For full certifications, correct the certification and submit.
4. For partial certifications:
    - For move-outs and terminations, resubmit the transaction after the GR has been successfully recorded in TRACS.
    - For unit transfers, recalculate and resubmit the transaction after the GR has been successfully recorded in TRACS.
5. Stop the correction/change process when any of the following is true:
    - The next certification in the chain is a gross rent change. In this case, simply resubmit the gross rent along with any subsequent partial certifications effective prior to the next full certification.
    - There are no more certifications

4.13 GR Submitted in Advance of the GR Effective Date

It is not good practice to submit gross rent changes in advance of the GR effective date as it creates challenges for site, CA and TRACS software. All GRs, as they can involve corrections to existing certifications, should be submitted after the fact, even if they are effective on the first of the month. However they should be submitted promptly after they take effect.

From a TRACS and CA software point of view, if the future GR is effective after an Annual or other certification that has yet to be transmitted, TRACS will attach the GR to an incorrect certification.

From a site software point of view, if a tenant moves in prior to the effective date of the GR but after the GR has been run and sent, there may not be a mechanism to do the GR for the MI certification only.

If an in-place tenant moves out after the GR has been sent but prior to the GR effective date, adjustments need to be made.

Notwithstanding the above discussion on when GRs should be executed and sent, for TRACS 202D, GRs are permitted on a voucher if the effective date is greater than the first of the month prior to the voucher date and less than or equal to the voucher date. See **Anticipated Voucher Dates** (4.24 below) and Appendix H. OAs are still encouraged to execute GRs only after the date on which they are effective.

4.14 Correcting a Gross Rent Change

There are many different scenarios where this might be necessary:

1. Owner/agent submits GRC before approval is received

2. GRC is approved, but subsequently rescinded and re issued with a new effective date

3. GRC is approved, but subsequently rescinded and re issued with different rent

4. The GRC has been sent previously but now the certification on which it is based changes (a corrected full cert is submitted or a new cert with an effective date greater than the original full cert and less than the GR effective date) is sent

In case #1, if the goal is to "erase" the GR in TRACS, simply resubmit, as a correction, the most recent full certification effective prior to the GR effective date and follow up on successive days by retransmitting any partial certifications effective after the full cert.

In case #2, for 2.0.2.C and 2.0.2.D resubmit, as a correction, the most recent full certification effective prior to the GR effective date and follow up on successive days by retransmitting any partial certifications effective after the full cert in effective date order. The "corrected" GR would be sent in its proper turn.

In case #3, for 2.0.2.C, all that needs to be done is transmit a new GR record reflecting the new rent. As long as one of the key fields is different, TRACS will accept the transaction even though the effective date has changed. In 2.0.2.D, resubmit with the new rent and/or UA and set the new Correction Type field to "R".

In case #4, for 2.0.2.C, the GR needs to be recalculated based on the cert (full or partial) effective just prior to it. This new GR record needs to be sent after the changed cert effective before it. In 2.0.2.D, recalculate as usual and resubmit with the new rent and/or UA and set the new Correction Type field to "R".

4.15 UT/GR Both Effective on the Same Date

The only way to transmit both transactions simultaneously to TRACS is as a single MAT70 Unit Transfer record as opposed to two MAT70s--one UT and one GR. This will take care of the unit number change and will change the rent. If one certification is transmitted before the other, especially in the same nightly batch, the luck of the draw will determine which record is processed first and you might not get the result you want. The only way to enforce sequence of processing of records of the same type is to submit them on different days.

4.16 Uses of the Previous Head Information Fields in the MAT10, Section 2, Record

There are two uses for the Previous Head information fields in the MAT10, Section 2 record from a TRACS perspective. The traditional use is to deal with a certification that changes the head of household relative to the previous full certification. The second use is to correct head of household identifying information.

Five of the "previous" fields included on the MAT10, Section 2 record (head id, MAT10 effective date, head last name, head first name, and head birth date) must be filled when a change or correction is required to one or more head of household identifiers. The requirement for performing the change is the same regardless of the identifier being changed.

Important Note: TRACS is not designed to handle the correction of head of household SSNs retroactively. Consider this example: Tenant moves in on 1/1/10. Site submits a 1/1/11 AR and a 1/1/12 AR. While doing an 8/1/12 IR, the site discovers that the HOH SSN has been incorrect since the MI. The proper method to correct the SSN is to send the 8/1/12 IR with the new SSN and with the previous head fields filled and the active cert effective date pointing to the 1/1/12 AR. DO NOT attempt to correct the SSN on any of the prior certs. If you were to process a retro GR going back to 1/1/10, the corrected MI and ARs should not update the SSN. The original incorrect SSN MUST remain in those certs. TRACS expects that SSNs will be corrected going forward—not retroactively. The Previous Cert Effective Date field is intended to point to the current and active cert in TRACS—not to any earlier cert.

Important Note: After submitting a member record with all 9's in the SSN field indicating the absence of an SSN, TRACS responds with a T-Number to be used in future submissions. There is no need or expectation that the most recent cert be corrected to reflect the new T-Number. In addition, when submitting the first cert after a head of household receives a T-Number, do NOT complete the previous head fields. TRACS already has the T-Number stored. The previous head fields are only used when changing the head information. Using a T-Number is not changing TRACS information. However, if a Head of Household's data has been sent to TRACS with the SSN set to all 9's, TRACS has issued a T-Number whether or not the OA has recorded and started using it. Should such a head obtain a valid SSN, in the transaction to change to an SSN (see case 2:c)1 below), the T-ID MUST be filled in the Previous Head ID field otherwise TRACS will not be able to complete the update. If the T-ID is not known, it should be obtained from the Help Desk or the TRACS or the TRACS message returned in response to the certification submitted with all 9's.

Important Note for CAs: A CA will occasionally see an IC corresponding to a change of head of household (previous head of household information filled) where the CA may not have any previous certifications for the household. This can happen when the tenant has previously been on a Section 236 or BMIR certification and qualifies for deep subsidy. TRACS will have the full history for the tenant and will link the new subsidized cert to the prior ones in the TRACS database. Therefore it is important for the CA to accept the change of head IC and pass it on to TRACS.

Case 1: No <u>SSN for the Head – TRACS Generates a T-ID Number</u>

When a certification is submitted to generate a T-ID none of the "previous" fields of the MAT10, Section 2 record are involved. Instead, 9s are entered in the identification code field of the MAT10 Section 3 record along with values for the pertinent mandatory member identifiers (last name, first name, birth date) and non-mandatory middle initial - if available. Using the information, TRACS generates the T-ID and stores it and the member information in the household member table for later reference. When a SSN is received for the head of household, another MAT10 must be submitted with the original head of household information recorded in the "Previous" fields except that the Previous Head Id will contain the previously generated T-Number.

Case 2: T-ID Exists

    a) T-ID is Unknown

        When the user needs to submit a transmission to TRACS but does not remember the T-ID, submitting the following in the MAT10, Section 3 Family record enables TRACS to locate the existing T-ID and insert it into the certification during processing. Because the user is not changing any of the identifiers, the MAT10 Section 2 "previous" fields are not required and, therefore, should not be included in the submission.

        - Identification code (999999999)
        - Last Name (M)
        - First Name (M)
        - Middle Initial (MOC)
        - Birth Date (M)

    b) T-ID Exists – One or more Identifiers Changed

        When any of the identifiers change, values for all mandatory identifiers must be submitted on the MAT10 Section 3 record. For example, to change the tenant's last name from Davis to Davis-Hines follow the procedure below:

        1. Fill in the new information along with all mandatory identifiers on the MAT10, Section 3 record.
            - Last Name (DAVIS-HINES) (M)
            - First Name (M)
            - Middle Initial (Optional, but if this field changes from the previous submission, all "previous" fields in the MAT10, Section 2 record must be filled).
            - Birth Date (M)
            - Identification Code (M)

2. Fill in the five (5) "previous" fields (mandatory identifiers) on the MAT10, Section 2 record. All five fields are required and the information supplied in the fields must be valid data taken from the most recent (prior) certification stored in TRACS. TRACS compares the information submitted in the "previous" fields with the data stored in the TRACS database. Any variation in the comparison will cause the submission to be rejected and fatal error F0130 generated.

- Previous Head Id (M)
- Active MAT10 Effective Date (M)
- Previous Head Last Name (DAVIS) (M)
- Previous Head First Name (M)
- Previous Middle Initial (Must match the previously submitted value in the household's previous MAT10, Section 3 record)
- Previous Head Birth Date (M)

After processing the change and updating the member table, TRACS uses the data submitted in the "previous" fields, to locate and de-activate the tenant's prior certification. It also creates a link between the newly created certification and the old certification so both display in the tenant's history list.

c) SSN Exists – One or more Identifiers Changed

When any of the identifiers change, values for all mandatory identifiers must be submitted on the MAT10 Section 3 record. For example, to update the tenant's T-ID (T00000901) to his permanent SSN (321421521) follow the procedure below:

1. Fill in the five (5) "previous" fields (mandatory identifiers) on the MAT10, Section 2 record. All five fields are required and the information supplied in the fields must be valid data taken from the most recent (prior) certification stored in TRACS. TRACS compares the information submitted in the "previous" fields with the data stored in the TRACS database. Any variation in the comparison will cause the submission to be rejected and fatal error F0130 generated.

- Previous Head Id (T00000901) (M) [T-Number required in this case. All 9's will not work]
- Active MAT10 Effective Date (M)
- Previous Head Last Name (M)
- Previous Head First Name (M)
- Previous Middle Initial (Must match the previously submitted value in the household's previous MAT10, Section 3 record.)
- Previous Head Birth Date (M)

2. Fill in the new information along with all mandatory identifiers on the MAT10, Section 3 record.
- Last Name (M)
- First Name (M)

- Middle Initial (Optional but, if this field changes from the previous submission, all "previous" fields in the MAT10, Section 2 record must be filled)
- Birth Date (M)
- Identification Code (321421521) (M)

After processing the change and updating the member table, TRACS uses the data submitted in the "previous" fields, to locate and de-activate the tenant's prior certification. It also creates a link between the newly created certification and the old certification so both display in the tenant's history list.

Note: This example may be used to change any of the head of household identifiers.

4.17 Contract Combinations

TRACS de-implemented (eliminated) this headquarters procedure on 11/12/2004. Eliminating the procedure allows the Industry to handle the termination and re-instatement of subsidy for contracts that have been combined. This is appropriate since most properties submit a termination to terminate each tenant from the old contract, effective the day before the combination date. They then submit an initial certification for each tenant, effective on the combination date, to take the tenant to the new contract.

There is no mechanism in place to deal with retroactivity prior to the contract combination date. All billing after the combination should be for the new contract no matter what the effective date of the certification. This is a grey area for site software. Contract Administrators are encouraged to allow flexibility in dealing with retroactivity including allowing OARQ adjustments in lieu of certifications submitted with the new contract number.

4.18 Contract Splits

HUD has no formal mechanism for dealing with these situations. However, from a site level accounting point of view, the best thing is to terminate the affected tenants the day prior to the split date and then do an initial certification effective on the split date. This ends billing for the old contract and establishes it for the new contract. The initial certification should have the Do Not Check Eligibility flag set to yes.

It is unclear whether billing for retroactive events prior to the split date should be on the old or the new contract. When in doubt, consult with your contract administrator or HUD office. Since there are no defined rules on how to handle these cases, CAs and HUD offices should be flexible with respect to billing. For example, if site software is unable to bill for retroactive transactions on the contract desired by the CA or HUD, the owner should be allowed to offset the billing for the affected certifications with an OARQ Miscellaneous Accounting Request on the HAP Voucher and to bill on the correct contract using the same mechanism.

4.19 First and Last HAP Vouchers

There will be no formal requirements for dealing with first and last HAP Vouchers for 202D. What follows are suggestions for handling these cases in the absence of defined rules.

First HAP Voucher
With PRACs, work with the Financial Management Center to get them the transactions that they need.

Last HAP Voucher
With respect to the Last HAP case, there is a relatively simple workaround to get to a final Voucher that includes payments for transactions that the cert selection rules prevent from appearing on a HAP.
1. Generate the regular Voucher for the final month of the contract.
2. If there are transactions that would normally appear on the next voucher
    a. Generate the next voucher
    b. Print and retain the next voucher
3. Include the total from the next voucher on the final voucher in the form of an OARQ miscellaneous request.
4. Transmit the final voucher but do not transmit the next voucher.

Note that it may be necessary to generate and print two "next" vouchers if there are any transactions effective after the first of the month on the final month. Also, it is good practice to terminate all households effective on the last day the contract is live. That will cause the second "next" voucher to generate all of the correct adjustments to facilitate the calculation of the OARQ amount on the final voucher.

4.20 Correcting Partial Certifications After a Full Cert Insertion or Correction

Because of the design of the TRACS data model, whenever a full certification is corrected or whenever a full or partial certification is added effective prior to a full certification, any partial certifications (MO, TM, UT, GR) effective on or after the effective date of the corrected or added certs and prior to the next full certification in TRACS should be recalculated where applicable and retransmitted to TRACS as corrections. Special attention should be paid to the processing order to ensure that transactions are recorded properly in TRACS. Also, sending multiple MAT 10 records for the same household in a single TRACS transmission may result in unexpected errors. It is best to send each MAT 10 separately, on separate days. Owner/agents should check TRACS to ensure that each transmission was recorded correctly before transmitting the next certification. CAs should monitor this process as well to ensure that there are no problems in TRACS and subsequently, no problems in EIV.

When spreading out the transmission of certifications, keep in mind that it is a requirement to resolve EIV discrepancies within 30 days. Also, if you are submitting through a CA, many CAs do not process and transmit certifications as they receive them. They hold all

certifications until transmitting the monthly voucher. In those cases, there is no advantage to transmitting certifications one at a time. When in doubt, talk to your CA.

4.21 Site Software and TRACS Errors

Site software must allow owners to view TRACS messages as sent from TRACS without alteration. If the software vendor wants to interpret the messages for its users, append the vendor's advice or interpretation starting on a new line at the end of the TRACS message text indicating, that this is a vendor addition (See **CA Error Checking** below for the proper format). The reason for this requirement is that the text associated with TRACS messages is subject to change without notice. If all that the user can see is the vendor-interpreted message, valuable information or advice may be lost.

Site software vendors should keep in mind that CA software may also be appending advice to TRACS messages or may be returning messages with codes different than those that TRACS uses. Whatever messages are returned by the CA must be available unaltered to the user.

4.22 Printing Vendor Information on HUD Forms

It is permissible, but not required, for vendor software to print information about the software printing a HUD form. However such information should be printed in the footer of the form and start with the words "Printed By." An example might be: Printed By Fantastic Software Version 2.03

4.23 Households With Vouchers in 236 and BMIR Projects

HUD policy has ruled that Section 236 and BMIR households who are the recipients of HUD PIH Section 8 Housing Choice certificates or vouchers are exempt from reporting to TRACS. No transmission of certifications for these households is or may be required. The PHA is responsible for EIV compliance for these households. This reporting exemption is only for tenant based vouchers provided by a HUD PHA. Recipients of any other vouchers (state or local) are not exempt from TRACS reporting. See HUD Handbook 4350.3, paragraph 3-21, Applicants With Housing Choice Vouchers, for a complete discussion of the rules. In particular, 3-21.A says that, if 100% of the units receive assistance, tenants must give up a voucher when moving into the unit. See also paragraph 7.4.C regarding certification rules.

Transitioning to the new rules: For cases where the OA has been transmitting certifications for Section 8 voucher holders to CAs and/or TRACS, the households should be terminated so that EIV no longer reports double subsidy. Use the new OT (Other) termination code for TRACS 202D.

Households adding and deleting vouchers: There are cases where a tenant will move in with a Section 8 voucher and then lose it. It might also happen that they move in without a voucher and get one later. If the household moves in with a voucher, no MI cert is sent to TRACS. Should the household later lose the voucher, the OA will transmit an initial certification (IC) to TRACS to establish the tenant in TRACS. If the household moves in without a voucher, a normal 236 or BMIR MI cert is processed and transmitted. If the household later gains a voucher, the household is terminated.

Excess Income Reports: See HUD Handbook 4350.1, paragraphs 7-27-28. Chapter 9 of the former HUD Handbook 4350.3 Rev 1, Change 3 contained the following language. "For each unit that does not receive Rent Supplement, RAP, or Section 8 Assistance of any type, including units in which the tenants pay market rent, the unit number, tenant name, basic rent, and tenant rental payment." The rules above can create challenges for those who audit compliance with Excess Income reporting. Since voucher holders are receiving "Section 8 Assistance of any type" their rent, no matter what it is, is not included in EIR calculations. The challenge arises with tenants who have had certifications sent to TRACS who are then terminated pursuant to the rules. Normally a termination implies that the tenant is moving to market rent. In this case there is no such implication and the household is not reported on the EIR so long as they have a Section 8 voucher.

4.24 Anticipated Voucher Dates

Since TRACS 202C has gone live, a number of questions have come up about the appropriate way to handle specific situations and scenarios. Most of these involve the new cert selection rules that specify what anticipated voucher date may be used given a particular certification effective date. Typically there is a difference of opinion between the site and the CA about what is allowed or is expected.

 A key thing to remember is that the Anticipated Voucher Date is just that—an expected date. Various things may intervene to cause a cert to appear on a later voucher than anticipated when it was signed. This is not a problem and not a cause for CA action. There is no requirement that a cert's anticipated voucher date match its actual voucher date.

 Keep in mind that the cert selection rules only forbid certs appearing on vouchers **earlier** than the rules specify. There is no requirement that a cert must appear on a specific voucher for the obvious reason that that transactions are often submitted after the voucher that they could have appeared on has been paid.

 The following are some scenarios that have raised questions:
• Site processes a January 1 GR on December 5 and builds a January HAP after that. There are completed Jan 1 ARs already in the database at the time the GR is processed. In TRACS 202C, the site includes the corrected ARs on the January voucher and puts the MAT70 GRs on the February voucher as required. This is correct under the 202C anticipated voucher date rules but violates the best practice of not entering the GR until its effective date. With 202D the GR can appear on the January HAP, resolving this problem.

• Site has a January 1 mass recert date approved by HUD. Site processes a December 5 MI and immediately does a Jan 1 AR. The MI must go on the February voucher but the AR is allowed for January and is put on that voucher. This is allowed under the rules. If CA software is unable to deal with this scenario it is acceptable to push the AR to the February voucher so that it will appear along with the MI. Sites should be transmitting certifications as they occur, in any event. The site should not hold the MI but should send it immediately.

• A termination is effective 12/31. This can't appear on a voucher until February. This means that you bill for January at the old rate. Yes, that is the proper way to bill. All systems should reflect a change on the voucher adjustments page on the February voucher. This will return the subsidy for January for that resident.

• MAT10s with the UT flag set and effective on the voucher date (AR, IR, IC) are showing up on that voucher rather than the next voucher. This is allowed under the current rules. Big certs eat little certs when the effective dates are the same. So, the rules for MAT 10s supersede the rules for other certifications.

• Contract combinations involving TM/IC pairs of certs—the TM appears on the expiring contract's voucher and the IC appears on the new contract's voucher. What do you do if the cert selection rules do not allow the TM to appear on the last voucher that HUD will pay? A way to get around this limitation is to process a voucher for the month following the one that HUD will pay. Take the amount of that voucher and enter it as an OARQ miscellaneous accounting request on the last voucher that will be paid. See **First and Last HAP Vouchers** above in this chapter.

Since we can not anticipate all possible scenarios, both sites and CAs are asked to be flexible and use common sense when enforcing these rules. At the CA level, it would not be appropriate to hold payment on a certification because its anticipated voucher date was either wrong (the date is too early and is forbidden by the rules) or earlier or later than the CA might want. This is, after all, an "anticipated" voucher date. CAs are free to modify an anticipated voucher date where necessary (and must do so where the date is not allowed by the rules) as long as that fact is communicated to the site so that a proper accounting reconciliation can be done for the voucher. However CAs may not be arbitrary in their exercise of discretion in this area and need to keep both the letter and spirit of the rules in mind. If the specification explicitly allows a certain practice, the CA may not disagree and require something else.

It is also not appropriate to adjust the voucher because the CA is aware of an upcoming change that is not reflected on the current voucher but will be reflected on a subsequent voucher.

To give a concrete scenario, suppose that we have a site completing certifications and a central office creating vouchers and transmitting the certs and vouchers to the CA or TRACS. The central office finishes and transmits the May voucher on April 3. The next day, the site tells the office about a March 30 MI. The central office is now on the June voucher and transmits the cert immediately to the CA with an anticipated voucher date of June. The CA creates its May voucher for the site a week later. The CA must not include the MI just because they have it and want to do so. They must respect the site's voucher date. Not doing this creates an unnecessary reconciliation difference between the site and CA May vouchers.

Conversely, a site submits a voucher for July on June 10. Due to a dual subsidy issue, the CA is aware that a MO transaction should have been submitted effective June 2. The site sends the MO transaction on June 12. The MO transaction has an anticipated voucher date of August. It is not appropriate to adjust the subsidy down to reflect the MO. This will be done automatically on the July voucher.

4.25 Double Subsidy

There are two approved double subsidy situations. The first is a dependent in a shared custody arrangement where the dependent moves between subsidized households on a regular basis. Both households will show the dependent on certifications at the same time. The second relates to household splits and swaps and is addressed in 4.6 above.

Beyond the approved scenarios, double subsidy is not permitted even if it is only potential double subsidy. A potential double subsidy case arises when a MI or IC is received by a CA or TRACS for a household that is active in another unit the same or different project. By "active" is meant the case where there is a current certification that has not been deactivated by either a TM or MO transaction. Payment must not be made for the MI or IC until such time as a TM or MO is received for the prior unit. It is not necessary for the new OA to perform a TM/DS until the actual MO date is known and the need for a TM /DS determined.

See **Section 4.3** above for a discussion of the rules concerning MO and MI dates. The key rule is that the presence or absence of a tenant notice to vacate is completely irrelevant in determining a MO date. When it is known, the actual MO date controls. If the tenant skips, the MO date is the date the OA takes possession of the unit. The actual MO date may be before the end of any notice period or it may be after the end of the notice period. If a CA is involved in adjudicating between sites in double subsidy situations, the only relevant determination is the MO date. Whether or not the new OA exercised due diligence is immaterial. In particular, it is important to remember that, if a resident moves out without a thirty-day notice or before the move-out date indicated on the thirty-day notice, the former OA has no right to subsidy through the end of a notice period even when notice is given. Owner/agents should refer to the HUD Model Lease and local tenant/landlord law when deciding whether to retain/forfeit the security deposit or whether the resident can be charged market rent after move-out.

4.26 Completing the HUD 50059-A

HUD Form 50059-A must be completed for terminations (TM), Move-outs (MO), Gross Rent Changes (GR) and Unit Transfers (UT). The owner/agent must sign the 50059-A. A copy must be maintained in the resident file and a copy must be provided to the resident. The HOH is required to sign the 50059-A in some cases as instructed in MAT Guide, Chapter 7, Paragraph 9-8.

Only fill the fields in the block on the form corresponding to the action being reported. For example, for a MO transaction, do not fill the fields related to TMs, or UT/GRs..

4.27 Abatements

An abatement, as a technical term, means that subsidy may not be paid on a unit for the term of the abatement. Only HUD has the authority to abate a unit, not CAs. CAs might hold a subsidy payment but they may not abate subsidy.

Abatements are usually thought of in relation to uninhabitable units related to a disaster or where a unit has health and safety issues. However, abatements can also be put in place for program violations. This means that a tenant can be in a unit and paying a subsidized rent but the OA is not allowed to collect subsidy. For voucher purposes, the unit would count as abated.

Until such time as we have policy clarification on precisely how to handle cases such as these in terms of transactions and how they should appear on the voucher, it is not unacceptable to bill for subsidy as usual and then to reverse the subsidy billing with an OARQ miscellaneous accounting request. Better still is not to bill for subsidy. To do this, site software needs to be aware of the abatement at the unit level.

4.28 Presidentially Declared Disasters

Note that it is essential that a person subject to the rules in HUD Handbook 4350.1, Chapter 38 NOT be issued a HUD lease. Doing so disqualifies such a person from eligibility for FEMA assistance. The rules in this area are in flux and it is best to check with HUD before proceeding. If such a person is being added to a household already receiving subsidy, they should be asked to sign a lease addendum indicating month-to-month occupancy. They should not be added to the regular lease.

In the case of a disaster or other situation where the unit is uninhabitable and there are no other units in the project for the household, there are two situations to be aware of:
1. The household moves to a subsidized unit in another project.
2. The household moves to an unassisted unit.

In the first case, you would terminate assistance for the uninhabitable unit so that assistance can be paid in the new unit. The termination would use the new ND (natural disaster) termination code. When the household returns to the unit, submit an initial certification indicating that an eligibility check is not required. The certification adding the household or member to the new project would indicate the temporary residency status by setting the new P special status code for each applicable member.

In the second case, the amount of the assistance is given to the tenant to help with the unassisted rent. Here no termination is done. The tenant continues to appear on the HAP voucher.

4.29 Policies and Procedures for the Conversion of Efficiency Units to One-Bedroom Units

Notice H 2011-03 is entitled Policies and Procedures for the Conversion of Efficiency Units to One-Bedroom Units. Paragraph D.5 says:

> The proposed conversion must only involve units of the same subsidy type. For example, a Section 236 project with a Section 8 contract covering 50 percent of the units may only convert Section 8 units to Section 8 units and Section 236 units to Section 236 units.

This language does not recognize the fact that, in many cases, subsidy can float from unit to unit, and, even when it can't, a Section 8 tenant can be terminated and put on a 236 certification.

In any case, care should be taken in these situations with respect to unit numbering. It would be best for both CA software and TRACS (and probably also for site software) if site software did not reuse TRACS unit numbers for the converted units. Having a unit change floor plans (unit types) can create challenges for retroactive gross rent changes and the like. Best practice would be to assign a new TRACS unit number to the converted unit. The unit number on the door of the unit can, of course, be reused. If an in-place tenant is moved to the new unit, a simple UT is all that is needed.

4.30 Rent Overrides

See 4350.3 paragraph 5-30 entitled "Determining Tenant Contribution at Properties with Multiple Forms of Subsidy" for the handbook guidance in dealing with situations where multiple funding programs apply to a single household. Generally the rule is that the tenant should be charged the lower of the two rents—the benefit goes to the tenant. When the HUD rent is overridden and the lower rent submitted to TRACS or a CA, the result is typically a large number of calculation error messages. Note: The HUD Office of General Counsel is reviewing the handbook language provided in 5-30. It is possible that the result will be changed guidance. As soon as the results of the review are known, this section will be updated.

 In 2.0.2.D, a rent override flag is being added (MAT10, Section 2, Field 61 and MAT70, Field 26) to the certification to indicate situations when the HUD calculations are being ignored or modified. In addition, a TTP Before Override field has been added to the MAT10, Section 2 record (Field 102) and the MAT70 Record (Field 31). Whenever TTP is being overridden, the regular (before override) value of the TTP is to be reported in this field. Note that a noncitizen rule proration of TTP or a Section 8 minimum TTP calculation is not considered an override for the purposes of the TTP Before Override field and the Rent Override flag would not be set in these cases. However a Plan of Action rent calculation that causes TTP to be different than TTP as normally calculated is an override situation.

When an override is indicated, CA and TRACS software are free to continue to generate calculation messages. However there will be no requirement to correct those errors as would normally be the case. There is nothing to correct. Of course, it is expected that the use of the override

flag would be the subject of attention during management reviews. This means that CA software that currently treats calculation errors as equivalent to a fatal error, may not do so when a rent override is indicated unless other calculations are incorrect.

CA software providers are encouraged to store information about override situations such so that they can issue more targeted error messages or so that voucher staff can determine quickly when an override of normal errors is appropriate.

Until the HUD OGC review is complete, the primary use of the override flag will be to indicate a case where a PRAC tenant's rent is being raised to operating rent per 4350.3, 7-8.D.3.b when the tenant has failed to recertify: "In a Section 202 PRAC or 811 PRAC project, the tenant will pay the greater of operating rent or 30% of income until eviction procedures are completed." When the tenant is paying less than the operating rent (tenant rent < operating rent), an AR certification is submitted, forcing the rent to operating rent and setting the rent override flag. See the PRAC tab in **202DCalculatingTenantRent.xlsx** for an example of how this is done. In addition the flag will be used whenever the new subsidy type 6 (811 PRA Demo) TTP is based on a rent calculation other than the usual 30% of adjusted income and for the new Section 8 Subtypes, RAD and SPRAC, when the rent calculation is non-standard.

Rent phase-in rules under RAD

HUD notice PIH-2012-32 (HA), Rev-1 issued on July 2, 2013 and revised in February 2014 (http://portal.hud.gov/hudportal/documents/huddoc?id=finalradnotice_redline.pdf) clarifies the rules concerning rent phase-ins. See Section 1.7. B.3—Phase-in of Tenant Rent increases. See also 1.7.B.7—Earned Income Disregard (EID). See also, Appendix K, K.3 of the MAT Guide.

At the time of conversion to RAD, all in-place tenants will pay their prior TTP. The determination as to whether a phase-in applies is done on the first IR or AR after the conversion. That AR could occur at any time as the pre-conversion AR schedule is retained. If an IR (including an IR/UT per 202D rules) occurs prior to the first AR, the phase-in decision is made at that time.

Note: A GR should never occur prior to the first AR because rents are not eligible for change until a year after the RAD contract effective date. A partial cert UT (MAT70) that is effective prior to the first IR or AR will not cause a phase-in determination and will retain the TTP charged on the IC effective on the contract effective date.

Phase-ins, when applicable, will be for either a 3-year or a 5-year term, with the percentage increases each year being equal (for a 3-year phase-in, 33% in year 1 and 66% in year 2; for a 5-year, 20%, 40%, 60%, 80% in years 1-4) and that the increase on any particular certification is calculated by applying the proper percentage increase to the difference between the TTP on the prior certification and that for the current certification. In the final year (the year-3 or year-5 annual) the calculated TTP is used as the phase-in is complete.

In addition we know that tenants who are subject to the Public Housing Earned Income Disregard (EID) continue to be subject to EID after conversion.

Important Note: It is not a TRACS 202D requirement for site software to automate the calculation of the override TTP but that is certainly permitted. As before, site software needs only a mechanism for the user to perform the override when necessary. A new spreadsheet, 202DRADPhase-In.xls, has been added to the spec documents. The spreadsheet can be used to determine if phase-in applies and to determine the override TTP on any certification. There is also no requirement for site software to implement EID income phase-in calculations. Software users will simply enter the income amounts that are required under EID on each certification. Doing so will likely result in EIV discrepancies and the tenant file should be documented explaining that EID is the cause of the discrepancy.

If the tenant is subject to rent phase-in (this fact is determined by the Owner/PHA), the Owner/PHA determines the phase-in schedule (3 or 5 years) and the TTP amount for each certification. To assist in monitoring the phase-ins, a TTP At RAD Conversion field has been added to the MAT10, Section 2 record (Field 101) and the MAT70 record (Field 30). For each tenant certification during the phase-in, the TTP at RAD Conversion field is to be filled. The value does not change from cert to cert and is supplied by the Owner/PHA. It is whatever the TTP was just before the tenant converts to RAD and is used as the TTP on the Initial Certification establishing existing tenants on the RAD contract. During the phase-in the TTP Before Override field is filled with the TTP as it would be calculated without the override. Also the Rent Override field is set to Y.

The TTP Before Override is the TTP as it would normally be calculated including any minimum rent or noncitizen rule proration.

The use of these fields allows HUD to monitor for improper payments. For certifications effective after the IC to RAD, during phase-in the Total Tenant Payment must be greater than the TTP At RAD Conversion and less than the TTP Before Override. The phase-in ends either at the end of the phase-in period or when the TTP Before Override is less than or equal to Total Tenant Payment on the **prior** certification. To mark this event (end of phase-in), the Rent Override Flag is NOT set and both the TTP At RAD Conversion and the TTP Before Override fields are filled—the TTP and TTP Before Override will be equal. For any certifications with effective dates greater than the date of the cert that marks the end of the phase in, fill the TTP At RAD Conversion and TTP Before Override fields with 0s.

To give some examples:
1. Tenant is converted to RAD and is subject to phase in. The TTP (Total Tenant Payment) that is paid at IC is the same value as the TTP At RAD Conversion. The relevant fields are filled as follows assuming that the tenant would normally pay a TTP of $250 based in the income and deductions that apply and assuming that the tenant's current TTP at conversion is $100. The PHA has called for a 3-year phase in.
    Rent Override: Y
    Total Tenant Payment: 100
    TTP Before Override: 250
    TTP At RAD Conversion: 100
2. At the first AR, the tenant's income has gone up giving a TTP Before Override of $300. It is determined that phase-in applies. The fields are filled as follows:
    Rent Override: Y

Total Tenant Payment: 166
TTP Before Override: 300
TTP At RAD Conversion: 100

3. Now suppose that the tenant's income at the second AR has dropped such that TTP Before Override is $150. Since the TTP Before Override is less than the TTP from the prior cert ($166), this signals the early end of the phase –in. The fields are filled as follows:

Rent Override:
Total Tenant Payment: 150
TTP Before Override: 150
TTP At RAD Conversion: 100

On the next IR or AR after this, Rent Override = blank. TTP At RAD Conversion and TTP Before Override are both 0.

4. In this example the tenant's income for the first AR has dropped such that the TTP Before Override is below the amount on the IC ($100). TTP Before Override is $45. This case also signals the end of the phase-in period.

Rent Override:
Total Tenant Payment: 45
TTP Before Override: 45
TTP At RAD Conversion: 100

The same logic applies to any certification type. If, one month after the AR, there is a gross rent change the usual phase-in calculations are done for the GR. If three months after the GR there is an IR, the phase-in uses the GR TTP as the TTP from the prior certification. In the event of retroactive certifications any certifications effective after the retro cert will need to be corrected and the phase-in TTP recalculated. In those cases, the TTP from the prior cert is always the TTP from the cert with an effective date less than that of the cert being corrected and with no intervening transaction. It is not the TTP of the cert being corrected. Gross rent changes will not happen before any tenant's first AR because the contract is not eligible for a rent increase until a year after the conversion date.

In no case will the TTP be greater than the TTP Before Override.

4.31 Recert Notices

Per a clarification from policy, recert notices must be printed and dated no later than 120, 90 or 60 days in advance of the recertification date. There is no requirement to date the notices exactly on the 120th, 90th or 60th day or on the first of the month. There are cases where printing on the first of the month would violate the rules so it is important to base decisions about when to print the notices on a count of the number of days prior to the recert date.

4.32 Missing Historical Data

As a result of software changes or other causes, it is sometimes the case that either a site or a CA does not have a complete historical record of transactions to support processing of new retroactive certifications and the creation of correct adjustments. The question has been what are the requirements when historical transactions are missing. Policy has determined that, in such cases, all historical certifications relevant to the correct processing of retroactive transactions must be recreated where they are missing and transmitted to the CA or TRACS if they have not previously been transmitted.

It is extremely important for OAs to add missing historical data properly. First, the original certification must be entered **without change**. Be sure to enter the original certification with its **original voucher date**. Entering the current voucher date will cause major problems with the voucher. Second, the correction certification is added for the current voucher. Software can only produce a correct HAP voucher with correct adjustments if it has both the original and corrected certification available. There is typically no need to transmit the original certification as that should have been sent and billed for in the past.

When sending historical certifications to a CA or TRACS, if there is any doubt if they have been transmitted previously, it is best to create the certifications as corrections to avoid having them fatal as duplicates.

It should be noted that the new Historical Baseline specification (see **Appendix J**) will help eliminate such cases going forward. A site reporting to a new CA will be able to send the CA a 5-year history of transactions. A CA will be able to help a site by sending the site a history baseline as well if it is needed to replace data lost through error or disaster.

4.33 Utility Reimbursements and MO Adjustments

HUD rules in the MAT Guide, Chapter 7, 9-13.B say "If the utility reimbursement is not disbursed to the tenant or utility provider (e.g., tenant never picks up the check, tenant never cashes the check or tenant moves-out), the funds must be returned to HUD." In dealing with the accounting for these situations it is important to remember that a MO adjustment for a unit with a negative rent will automatically return some of the utility reimbursement to HUD. If this is not what is called for under the rules, the OA may want to recapture the proper amount with a miscellaneous accounting request on the voucher.

4.34 Special Claims Involving PRACs

The special claims forms refer to the use of contract rent for non-PRAC situations and to operating rent for PRACs. The handbook defines operating rent as contract rent plus utility allowance. It is this amount that is to be used when called for on a claims form—not the contract rent.

4.35 Unit Numbers

In all cases, save one, throughout the MAT Guide all fields intended to be filled with a unit number must be filled with what has come to be known as a TRACS Unit Number. A TRACS Unit Number is required to be unique in the project. This concept is needed because unit numbers in use at properties may not be globally unique. There may be buildings that use numbers that are also used in other buildings. The exception to this rule can be found in the MAT15 record, where there is a field called Actual Unit Number that is used in History Baseline files and is intended to hold the actual unit number in use at the project. Actual Unit Numbers are not required to be unique in the project.

4.36 Financial Management Center and CA Advice

Both the HUD FMC and CA staff are in the unique position of having a high level view of and extensive experience with common problems. Unfortunately their wisdom and experience is not available in one place. This section of Chapter 4 is intended to remedy that situation by offering tips and suggestions from them. As new material is received, this section will be updated.

From the FMC: "The owners/agents are not 'verifying their transmissions' and wonder why the compliance has dropped which has nothing to do with the software." Many owner/agents are not aware that they can view information that has been received by HUD through TRACS. It is required that owner/agents monitor TRACS transmissions to ensure that they are recorded correctly and it is required that owner/agents address TRACS discrepancies. This is monitored at the MOR (See HUD Form 9834). Regularly going to into the WASS / TRACS system and checking the TRACS Voucher and Certification queries ensures that problems are addressed quickly and reduces the risk of delayed voucher payments

4.37 The Meaning of F, M and MOC for Fields in the MAT Guide Note Column

F (Future) is used for a field that has been defined but not yet implemented by the industry or by TRACS. If a MAT file containing data in a future field is processed by TRACS, TRACS ignores the data in the field and stores nothing. There have been cases where the industry has implemented future fields ahead of TRACS. One example is the site and CA software use of the Anticipated Children fields in the MAT10, Section 2 record—Fields 80-81-82—years ahead of a TRACS implementation. In this instance, the F designation was removed from the fields. Private use of F fields for "off label" purposes is strongly discouraged. F fields must be filled with the appropriate null value for the field type. Note: Future fields may contain either blanks or the proper default null value for the field type as TRACS overwrites any future fields with default values.

M (Mandatory) refers to a field that is required to be filled with a value other than spaces or 0s. The meaning of Mandatory is often misunderstood in relation to fields that are not listed as M. The MAT Guide generally uses M to designate a field that must be filled because of the way the TRACS database works. A field not designated as M (a field with nothing in the Note Column) is also mandatory in the sense that it must

be filled with data if the field applies to the certification being created. So, M has a technical, not a common sense, meaning in the MAT Guide. All fields are required to be filled except for MOC fields in some cases or where the field description says that it should only be filled in certain situations.

MOC (Mandatory on Condition) is a designation that means that a field must be filled if a specified condition is true but is to be filled with spaces or 0s in other cases. The field description will describe the situations under which the field must have a non-null value.

4.38 Section 8 Sub-Types

Section 8, unlike other HUD MF subsidy types, is not a monolithic program. There are different sub-types (kinds/types) of Section 8. The traditional four Section 8 sub-types are New Construction, Substantial Rehabilitation, Property Disposition Set-Aside (PDSA) and Loan Management Set-Aside (LMSA). The 4350.3 (Figure 1-1) also includes State Agency, Section 202/8, RHS Section 515/8 and Pension Fund (PF). With TRACS 202D, two new sub-types for Section 8 are being added: RAD and SPRAC. HUD uses the subtypes for Project Section internally to track Section 8 sub-types of subsidy; consequently, the sub-types are not reported either on the 50059 or the HAP Voucher

4.39 Contract Administrator Software and Processing Issues

4.39.1   CA and Site Software: Compatibility Issues

Both the Site and CA software must be compatible with TRACS. If CA software cannot accept or correctly process a legal transaction that TRACS accepts, the problem is one for the CA to resolve. The record must not be rejected and the site must be paid if there are no other problems with the transaction. This is not to say that a CA may not refuse to pay on a certification that TRACS accepts but rather that CA software limitations may not dictate what is paid and what is not paid.

As is well known, there are many areas of the Handbook 4350.3 that are subject to differing interpretations. There are also technical areas of the handbook that have not benefited from a complete analysis from the point of view of software implementation. When in doubt, a request should be made to HUD to provide clarification based on the current clarification request process. If there is a delay in the response, common sense and flexibility, combined with an analysis of what TRACS allows should prevail.

For example, the handbook mentions annual recertifications as ones where a full certification should be submitted if a unit transfer or gross rent change occurs on the same date. In practice, TRACS does not check for this condition nor does it refuse to accept MAT70 records effective on the same date as a full certification already in the database. It also allows for UTs and GRs to be submitted as full certifications for other than AR certification types. As long as the correct subsidy is paid, CA software must accept either a full or partial certification if other handbook rules are upheld.

This is not to say that a full certification is a substitute for a partial certification in all cases. A full certification calculates ages of household members based on the effective date of the certification. Submitting a gross rent change as a full certification when there is not already a full certification in TRACS effective on the same date, can cause allowances to be increased or decreased thereby changing the TTP. In cases such as these, full certifications should not be submitted--only partials. For this reason, CAs must not request a set of full certifications in lieu of a proper baseline consisting of full certifications and any partial certifications effective after the full certifications. This means that site software must be able to submit a proper baseline.

Note related to special claims processing: TRACS does not flag a full certification UT as a UT. CAs and HUD reviewers may need to look at the tenant history to see that the unit has changed. Therefore, it would not be appropriate to deny a claim solely for lack of a cert in TRACS that is flagged as a UT given that the handbook requires full certification UTs in some cases.

4.39.2　　CA Acceptance of Site Transmissions

CAs must accept all files that a site transmits during a month. CAs may not require only one cert submission per month. The 4350.3 indicates that sites should transmit certifications as they are completed. Please note: Even though TRACS allows early transmission, it is best to submit annual certifications with or in the same month as the appropriate voucher or a later voucher. For example, an AR effective on 6/1/2012 can be sent in May with the June voucher or on any later voucher. While the certification could be sent earlier and the certification accepted by TRACS, there are issues when a MO, GR or TM cert, effective earlier than the AR, is submitted after the AR and before the AR effective date. If would be permissible for CA or site software to "hold" those AR certifications until the voucher month.

Note: The MAT Guide Chapter 7, Figure 9-2 establishes the due date for HAP voucher submissions as the 10th calendar day of the month. CAs are not permitted to require submission by an earlier date or condition acceptance of a transmission based on whether the CA offices are open on the due date.

CAs must accept (as does TRACS) a full or partial certification marked as a correction even in cases where the CA does not have a corresponding original certification (not marked as a correction). TRACS will return a message saying that a correction was recorded even though the original certification was not found--CE251. This is acceptable and does not need to be addressed by the owner/agent even though the discrepancy is displayed on the Certifications with Discrepancies errors.

4.39.3   Sorting on HAP Vouchers

On both the voucher detail and adjustment pages information should be presented in unit number order where the unit numbers are sorted right-justified. The unit number used must be the TRACS unit number (see 4.35 above)—not the unit number used for the unit at the site.

4.39.4   Processing

CA software vendors are encouraged not to follow the TRACS processing flow but rather to process incoming certifications in effective date order, following the TRACS rules to break ties when multiple certifications are effective on the same date or multiple partial certifications are submitted for one household in one tenant file. When doing so, it is good practice to treat a unit transfer as both a transfer out and a transfer in. At some time in the future TRACS will process the transfer out portion of a UT prior to processing MAT10 records.

4.39.5   Transmitting

Owner/agents must take appropriate action including taking steps to correct and retransmit certifications rejected by a contract administrator.

The CA must transmit all non-fatal certifications to TRACS. It is the CAs responsibility to ensure that the certifications are reflected in TRACS unless TRACS issues a fatal error.   As an aid in this process, owners should cooperate with CA requests to retransmit a certification as a correction or as a baseline if the site software is capable of doing so. In turn, CAs must respond to owner/agent's request to submit transactions that have been approved/paid by the CA but that are missing in the TRACS database. Failure to do so can result in subsequent errors. For example, if a move-out transaction is not recorded in TRACS, submitting a move-in transaction for the same resident in another property could result in unnecessary and inappropriate errors.

In this regard, CAs need to be aware of the fact that simply submitting a retroactive gross rent change can cause TRACS to reactivate a previously moved-out household (this happens when the GR date is earlier than the MO date). Not only can this cause a property to have a compliance percentage of greater than 100% but it causes the household to become active again in EIV. The consequence can be the rejection of a move-in to another property or erroneous double subsidy reports. If CA software routinely fatals a resubmission of a MO record, it is necessary for the CA to find a way to pass the MO on to TRACS in cases such as this where the household status has not changed but TRACS has reactivated it.

4.39.6   HAP Payments for Late Recertifications

In accordance with HUD policy as articulated in HUD Handbook 4350.3, paragraph 7-6, CAs must pay the old HAP until the receipt of a new annual recertification or 15 months has passed or the tenant is terminated, whichever occurs first. Assistance must not be terminated earlier and payments must be made based on the most recent certification in effect for months 13-15. OAs are responsible for following all handbook recertification guidance.

Important Note: If TRACS has not received either an AR or a TM by the end of the 15th month, it issues an HQ termination shortly after the beginning of the 16th month.

For example, the AR due date is 1/1. If no new AR (or TM) is received, the CA pays the old HAP assistance on the January, February and March vouchers (months 13, 14 and 15). The HAP payment for the tenant is stopped on the April voucher. Site software must not bill and CA software must not pay for month 16 (April) unless an AR (or TM and IC) has been received. At the point of billing for month 16, if the tenant has not recertified, the OA must terminate assistance effective the day prior to the AR due date (12/31 if the due date is 1/1). The termination must be reflected on the month 16 voucher (April if the AR due date is January 1). The TM will cause the assistance previously paid for months 13-15 to be returned. If the recertification delay is a result of extenuating circumstances and or OA or third party issues, when the new AR is processed, it is effective on January 1 and the appropriate adjustments are made on the voucher. If the delay is the fault of the tenant and there are no extenuating circumstances, no AR should be submitted. Instead the tenant must requalify and an IC must be submitted effective no earlier than the first of the month after the original AR due date. If an AR is complete prior to billing for month 16, the AR is transmitted and its assistance is reflected on the month 16 billing. Any necessary adjustments back to the AR effective date are also made.

The following example illustrates what is required on the site voucher for a late recertification when no recertification is complete prior to the submission of the voucher for month 16. Assume a recertification date of January 1 and an assistance from the prior year's AR (assuming no transactions after the prior AR) of $400.

Voucher Month	Month #	Assistance Billed	CA Payment	Adjustment
December	12	400	400	
January	13	400	400	
February	14	400	400	
March	15	400	400	
April	16	0	0	-1,200

Other examples include:
Scenario 1: If a resident submits appropriate paperwork and signs the AR on or before the effective date, the AR is on time. The AR does not have to be completed a month in advance.

Scenario 2: If a resident submits information **on or after** the AR effective date and there are no extenuating circumstances, the household **MUST** be terminated effective the day before the AR effective date. No subsidy will be provided for that month. If the resident still qualifies for assistance, and the resident subsequently submits their information, an IC is created and the effective date is the first of the month after information was submitted. Subsequent annual certification effective dates will be based on the IC **not** the original move in.

Scenario 3: If a resident submits information after the deadline (10th day of the 11th month) and before the AR effective date, the AR will still be effective on the anticipated AR effective date, but the resident has no right to a 30 day notice. The owner/agent should make every attempt to complete the AR no later than the effective date, but verification may force the owner/agent to complete the AR after the effective date. In this case, the AR is still effective on the original date and changes are retroactive to that date.

As always, in this kind of situation, you must consider extenuating circumstances when information is late. Scenario 3 seems to be the issue. Let's take a specific example.

- The Ford household is required to complete an AR every year in September.
- The Ford's should submit information no later than July 10th.
- The Ford's actually come in for their AR interview on August 20th. They submitted information late but the OA will still complete the AR with the same effective date. Changes in rent (up or down) will be effective on the AR effective date.
- In August, the OA billed, on the September voucher, for the old subsidy.
- It takes 35 days to obtain adequate verification of the information.
- In September, the OA billed, on the October voucher, for the old subsidy
- The Ford's sign their AR on September 24
- In October, the OA bills for the new subsidy amount and includes appropriate adjustments for September and October

In this scenario the OA should be paid on the vouchers, even though the AR is late.

To summarize: The 15 month rule permits billing for 3 months after the AR due date when there are extenuating circumstances or OA or third party delay. Note that billing for month 13 happens prior to the AR due date and before we know if the tenant will appear prior to that date.

There are two main cases:
1. Tenant is late reporting (on or after the AR date)
    a. Presence of extenuating circumstances is not yet known
        i. Continue billing while determining whether extenuating circumstances exist.
    b. There are no extenuating circumstances
        i. OA is required to terminate assistance effective the day prior to the AR date and raise tenant to contract/market rent. Subsidy may be restarted with an IC effective no earlier than 30 days after the AR date.
    c. There are extenuating circumstances
        i. Billing continues while waiting for the tenant to complete the AR process
        ii. At the point of billing for month 16, a termination must be executed by the OA and must be effective the day prior to the AR date.
2. Tenant reports prior to the AR date
    a. No OA or third party delay
        i. Submit completed AR—may cause an adjustment if month 13 had previously been billed.

b. OA or third party delay (Note that some delay may be "normal" even if the tenant reports the day prior to the AR date—it takes the usual amount of time to verify and billing for month 14 needs to occur on or before the 10th of month 13)
  i. Billing is permitted for months 13-15.
  ii. At the point of billing for month 16, a termination must be executed by the OA and must be effective the day prior to the AR date.

Extenuating Circumstances Codes on ARs and the impact on the 15-month rule: The new extenuating circumstances codes allow a certification to be sent with an OA signature but no tenant signature. In some cases the cert will be corrected when the signature is obtained and in other cases there will be no correction (a GR hitting a cert for a moved-out household). The general understanding is that such a certification has the same status as a cert with a tenant signature and impacts billing in the same way.

Three examples:
1. HUD allows OAs to bill during eviction proceedings. OA transmits an AR without a tenant signature. Code 6 = Eviction in Progress
2. Head of Household is deployed in Afghanistan and can't sign the AR. Child is under the care of a friend temporarily in the unit. OA transmits an AR without a tenant signature. Code 5 = Military Deployment
3. Tenant extenuating circumstances exist at AR time. OA transmits an AR without a tenant signature. Code 2 = Late AR due to accommodation or extenuating circumstances.

Given that an AR transmitted with an extenuating circumstances code is a permitted transaction, the 15 month rule does not apply after the AR is sent. The 15-month rule applies only in the absence of an AR.

Status of certifications with effective dates after the AR due date and prior to the submission of an AR: At this moment there is no clarification on the questions that have been raised concerning the validity of such transactions and subsidy billing related to them. What is known is that HUD permits billing for three months past the AR due date (the 15-month rule) and that TRACS currently accepts and processes all transaction types when the AR is missing. However TRACS does not accept either a MO or a TM effective three or more months after the AR due date (F0181 and F0185). While TRACS does accept an IR effective after the AR date, it does issue a CE029 level 1 error pointing out that the AR is missing.

4.39.7   TRACS Errors

CAs must return ALL TRACS and CA software generated messages to owners without alteration. OAs are entitled to see these messages. If a CA wants to append additional text to an error message, it is permissible to do so starting on a new line at the end of the TRACS message and indicating that this is a CA addition—see **CA Error Checking** below. If CAs want to communicate guidance about errors in some other way, they must do so in addition to returning TRACS messages. If a CA believes that the TRACS and CA messages will only confuse the OA, it is free to tell OAs to ignore the messages but the messages must be sent nonetheless. Not sending the messages deprives the sophisticated OA and software vendors from information that can help to improve quality.

4.39.8   Returning Messages to OAs

For reasons of privacy and confidentiality, CAs must avoid sending messages to an entity other than the one that currently submits files on behalf of a project/contract. To accomplish this CAs must do as TRACS does. TRACS stores in its database the iMAX ID of the most recent sender of files for a project/contract. It returns messages to the ID of that sender.

For example, if a CA has been receiving files for contract C1 from TRACM00001 but then receives a file from TRACM00002 for C1, the responses to the new file must be sent to TRACM00002. All other responses and messages for C1 from that point forward also need to go to TRACM00002.

It is not appropriate for CA software to require human intervention to change the destination of responses. This needs to happen automatically based on messages received.

4.39.9   CA Error Checking

Error conditions that TRACS also checks for: Because of the terms of their contract with HUD, Contract Administrators (CAs) are permitted to be more stringent in requiring the resolution of non-fatal errors than is HUD. For example, TRACS issues only a level-one discrepancy message when a certification does not calculate correctly. TRACS stores and reports its own calculated values in such cases--not the values submitted by the sites. The CAs mission is to provide a higher level of data quality ensuring accuracy and currency of tenant certification data.

Error conditions that TRACS does not check for: CAs may check for additional errors that TRACS does not so long as the error conditions are in accord with handbook rules. Messages should be returned to sites using an error code that TRACS does not use. It is best not to use a code not currently in use by TRACS but whose numeric value is less than the greatest one that TRACS currently uses. If using a CE or F code for a new CA error, use a number greater than or equal than 800 (CE823, F0800) and contact owner/agents to tell them what the new errors are and how to deal with them.

- CAs should respond separately to each file (attachment) submitted following the guidelines below so that site level software can identify which submitted files generated which errors.

- Format of returned messages:
   NOTE: Use a standard TRACS message header as follows. See **Appendix B** of the MAT Guide. The message header ends with the Effective Date line.

```
@*@ TRACM00098TRACM00098
```

```
OA Defined Data : MAT40TRANS
OA Software Vendor : MYSOFTWARE
OA Software Release/Version : TRACS8.3
CA Software Vendor : YOURSOFTWARE
CA Software Release/Version : 3.0.0.4
Agency Defined Data : 01515555
Project Name : PINECREST
Project No. : 24755316
Contract No. : CA30M000001
Unit No. : 106
SSN : 399369712
Name : WASHINGTON, REBECCA
Tenant No. : 106R
Effective Date : 0001-01-01
Fatal Error: F0096
MOVE-OUT EXISTS ON THE TRACS DATABASE
Fatal Error: F0035
MOVE-OUT ACTION NOT PROCESSED
```

> **NOTE:** Do not send unformatted reports—i.e. reports without a standard message header. Reports can be appended to a standard error header as follows:

```
@*@ TRACM00098TRACM00098
OA Defined Data : MAT40TRANS
OA Software Vendor : MYSOFTWARE
OA Software Release/Version : TRACS8.3
CA Software Vendor : YOURSOFTWARE
CA Software Release/Version : 3.0.0.4
Agency Defined Data : 01515555
Project Name : PINECREST
Project No. : 24755316
Contract No. : CA30M000001
Unit No. : 106
SSN : 399369712
Name : WASHINGTON, REBECCA
Tenant No. : 106R
Effective Date : 0001-01-01
```

```
Informational  :  CE800-CA
CA PROCESSING REPORT
CA Message : Thanks for your submission
You sent 23 Annuals. We rejected 3 of them.
You sent 4 Gross Rent certs. We liked them all.
Etc., etc., etc.
```

- In the example above, "CA PROCESSING REPORT" is the name/description of the CE800-CA message. The text starting with "CA Message :" is a CA addendum (see below). Note that, since a message can refer only to a single file submitted by an owner/agent, a report such as the one above must not refer to more than one file.

- Preserve OA data (OA Defined Data, OA Software Vendor, OA Software Version) both when sending to TRACS and in the messages returned to sites. Failing to preserve OA data deprives TRACS of the ability to monitor vendor performance and makes it difficult for site software to attach a message to the file causing the message.

- Add CA vendor, version, and data (CA Software Vendor, CA Software Version, Agency Defined Data) to CA messages as in the samples above.

- Add a CA identifier (-CA) to CA and TRACS message codes generated by CA software following the examples below.
  - CE123-CA
  - F0111-CA
  - QQ005-CA (This error is not a TRACS error but rather a possible example of one unique to the CA software)

  In other words, if the CA software generates an error message, add the CA suffix to the code. If the message has been generated by TRACS, do not add the suffix when passing the message on to the site.

- If a TRACS message code is used, return the same text message as does TRACS. Do not modify the TRACS wording.

- Optionally add a CA addendum starting on a new line and beginning with the words "CA Message :". This rule also applies to site level vendors who wish to "enhance" the message to give a different or expanded explanation. Start with the literal TRACS message. Then, on a new line, add the vendor message beginning with the vendor or product name as in "Fly-Bi-Nite Software Message: Check your Property Settings on Screen 3 and be sure Field 6 is filled in".

- CA MAT responses: Under iMAX, CA MAT responses are handled the same way as for regular TRACS responses. Add a CA identifier (-CA) to MAT error codes generated by CA software following the examples below.
  - X-CA

- V1-CA

Problems noted with some CA messages as of November 2010
- Listing a message type without a code. For example: Informational : or Discrepancy :
    - Every message type must have a code either matching an existing TRACS code or a code unique to the CA software. If the latter, the code must be followed by "-CA"
    - Correct example: Informational : QX321-CA
- Generating a Discrepancy message without listing the severity in an Action Required line as does TRACS. Some CA software omits the Action Required line.
    - Discrepancy: CE258
    - Action Required: 3
- Indicating that a field has an incorrect value but not reporting the value in error and the value that the CA believes is correct.
    - For example, if the CA software reports an incorrect contract rent, its message must indicate the submitted value and the correct value as does TRACS with its calculation messages (TR, TTP etc).
- Returning older messages for a submission along with new messages.
    - For example, vouchers generate a sequence of messages throughout the month. Only messages not previously sent to the site are to be sent in a new batch. Some CA software retransmits old messages along with new ones. This practice is not permitted and can make it harder for OA staff to identify what is new.
- Returning CA generated MAT responses in the old format. The new iMAX format must be used.

4.39.10 Terminated Households

Contract Administrators should treat terminated households as moved out for all practical purposes. CAs may not request electronic or other proof of move-out for a terminated household prior to allowing another tenant to move-in or transfer in to the unit occupied by the terminated household. Once the termination occurs, the household is no longer the responsibility of the CA. The CA's primary responsibility is to ensure that two households do not receive subsidy in the same unit simultaneously. As long as this does not occur, the CA is upholding its obligations.

However, if a special claim is submitted for a unit occupied by a terminated tenant, HUD rules require that a move-out transaction be sent to TRACS to support the claim. Site software must offer a feature that allows for the creation and transmission of a MO record for the subsidy type of the household just before they were terminated.

In practice, there are several scenarios post termination:

- The tenant could be at market rent or could be on another subsidy. In either case the tenant could then move out. If the tenant is on another subsidy (terminated from Section 8 and now on 236) the MO will be sent to TRACS. It will not generally pass through the CA.

- The tenant could transfer to another unit. After the termination the CA could see a MI, IC, or UT (full or partial cert) into the terminated tenant's old unit. These transactions should be accepted.

- In the very rare case the CA could see a MI to the same unit from the same household. This would happen legitimately if the tenant moved out after termination and then back in.

4.39.11 CA MAT30s-- When is a single vs a double record created and returned?

Starting in 202D, CA software is required to create a full set of MAT30 records that are returned to OAs and sent to TRACS. OAs will use the records to assist in reconciling the site and CA HAP vouchers. In order to ensure consistency among the CA software vendors in how they implement these records, this section details the rules for when CA software creates a single record and when it creates two records.

Until we gain experience with the processes, what we are calling a "full match" of field data is required for a single record to be returned. If there is not a full match, the CA will return the site request record, setting the Paid Amount field to $0. Additionally, a second record will be created indicating what the CA is actually paying. If there is a full match, the site request record is sent back to the site with the Paid Amount field filled with the amount of the CA payment. Note that the CA may pay an amount less than, equal to or greater than the site requested amount. A $0 paid amount is possible in this case and would indicate that the CA is rejecting the site request if the site request is non-zero.

A full match is defined as the data in all key fields of the site and CA record matching perfectly. The key fields that participate in the match decision are listed below for each of the Section 3-7 record types.

An "OA Record" is defined as one that was sent by the site software. A "CA Record" is defined as one created by the CA software as a result of a lack of a full match with an OA Record. There will always be an OA Record corresponding exactly to what the site submitted with the exception of the Paid Amount field. There may or may not be a CA Record. In addition, if the CA is paying for something unrelated to an OA request, there would only be a CA Record.

There are two scenarios when the OA submits a record:
> **There is a full match**
> The CA returns an OA Record only. The only field that might differ from the original OA Record is the Paid Amount field. The
paid amount can have any value including $0. If the CA is paying exactly what the OA requested then the Requested Amount and the Paid Amount fields will be equal.

There is not a full match

The CA returns an OA Record consisting of the site record as submitted with the Paid Amount field filled with $0.

The CA returns a CA Record with the Requested Amount set to $0 and the OA Vendor Data field left blank. The Paid Amount will be whatever the CA is paying.

Key Fields are indicated in green.

Section 3 Record—Assistance Payment Detail:
Last Name
First Name
Middle Initial
Unit Number
Bedroom Count
Contract Rent
Utility Allowance
Certification Type
Correction Flag
Cert Effective Date
Requested Amount
Paid Amount
OA Vendor Data

Section 4 Record—Adjustment Payment Detail:
Last Name
First Name
Middle Initial
Unit Number
Billing Type
New Certification
Certification Type
Correction Flag
Effective Date
Assistance Payment
Adjustment Start Date
Adjustment End Date
Requested Amount

Paid Amount
OA Vendor Data
CA Initiated (Will be blank for an OA Record and 'Y' for a CA Record)

Section 5 Record—Approved Special Claim:
Claim Type Code
Claim ID
Claim Amount
Paid Amount
OA Vendor Data

Section 6 Record—Miscellaneous Accounting Request:
Misc Request Type
Misc Request Amount (The OA request)
Comment
Paid Amount
OA Vendor Data

Section 7 Record—Repayment Agreement:
Head Last Name
Head First Name
Unit Number
Agreement ID
Agreement Date
Agreement Amount
Agreement Type
Agreement Change Amount
Total Payment
Amount Retained
Ending Balance
Amount Requested
Paid Amount
OA Vendor Data