

April 10, 2009

TO: State Directors  
Rural Development

FROM: James C. Alsop (*Signed by Phillip H Stetson*)  
Acting Administrator  
Housing and Community Facilities Programs

SUBJECT: Rural Development Voucher Demonstration Program

This unnumbered letter is to advise of new policy decisions and to clarify a few existing policies of the Rural Development Voucher Demonstration Program for the Multi-Family Housing portfolio. Most of these policies have been discussed in teleconferences. This Unnumbered Letter will formalize the policies.

**Background**

The Rural Development Voucher Demonstration Program for the Multi-Family Housing portfolio was created to offer protection to eligible multifamily housing tenants in properties financed through Rural Development's Section 515 Rural Rental Housing Program who may be subject to economic hardship through prepayment of the Rural Development mortgage. When the owner of such a property pays off the loan prior to the normal maturity date, rents may increase thereby making the housing unaffordable to tenants. The Rural Development Voucher Program applies to any property financed through Section 515 where the mortgage is paid off prior to the maturity date in the promissory note. This includes foreclosed properties. The Rural Development Voucher will help tenants by providing a rental subsidy that will supplement the tenant's rent payment. Low-income tenants in the prepaying property must be U.S. citizens or legally admitted aliens. Such tenants are eligible to receive a voucher that they may use at that property or take to any other rental unit in the United States that passes inspection and where the owner will accept an Rural Development Voucher, with the exception of rental units in subsidized housing like Section 8, public housing or Rental Assistance units where two housing subsidies would result. The Rural Development Voucher may not be used for the purchase of a home.

EXPIRATION DATE:  
April 30, 2010

FILING INSTRUCTIONS:  
Housing Programs

All changes included in this unnumbered letter are effective immediately. Changes in or new policy information is identified as “New”.

**1. Quadel Assumes Administrative Role For Voucher Portfolio - New**

In early Fiscal Year 2009, Quadel Consulting Corporation (“Quadel”) assumed responsibility for the administrative functions for the entire voucher portfolio. These duties include but are not limited to the following:

- Sending Tenant Letter #3 (advice to tenant about the Voucher program);
- Retrieving from Tenants and forwarding to the States as needed the following: Voucher Obligation Forms (VOF), Requests for Tenancy (RTA), Voucher forms, lead paint forms;
- Notifying State Office of the need for unit inspections or State Director’s Letter;
- Forwarding Housing Assistance Payment (HAP) contract to Landlord, once all required documentation is received; and
- Forwarding Rural Development Voucher renewal packet to tenants.

The States are responsible for all Automated Multi-Housing Accounting System (AMAS) transactions. Quadel does not have access to AMAS.

**2. Owner Requests for Rent Comparability Studies)– New.**

The Rent Comparability Studies (RCSs) ordered by Rural Development are confidential and can only be shared with Rural Development. However, the Rural Development Freedom of Information Office advises that the RCS may be requested through the Freedom of Information Act (FOIA).

**3. Voucher Determination Summary (VDS) – No More Preliminary VDS or Tenant Letter 3A - New.**

Effective immediately, the requirement for a Preliminary VDS (PVDS) is eliminated. The VDS should be completed immediately following the payoff or the foreclosure sale. Rural Development staff must obtain from the Multi-Family Information System (MFIS), the last Report PRJ2000 “Project Worksheet” to verify the tenants at the property and their net tenant contribution (NTC). Once the VDS is completed, it is submitted via email to Joan Atkinson in the National Office for review and approval.

If you previously submitted a PVDS, you must submit a Final VDS for that property once prepayment is received or foreclosure has occurred.

Once approved, the VDS will be forwarded to Quadel, who will send Tenant Letter #3 advising the tenant of the maximum voucher amount available for that tenant.

#### **4. Prepayment Types Eligible for Voucher Demonstration Participation - New.**

Below is a list of the types of prepayments that are eligible for the Rural Development Voucher Demonstration Program. Inventory properties have been added to the list of project payoffs eligible for participation in the Voucher Demonstration Program:

- Prepayment in accordance with 7 CFR 3560 subpart N
- Prepayments resulting from Foreclosure or Marshal Sale
- Prepayments resulting from Acceleration
- Debt Settlement/Compromise Offer
- Deed-in-Lieu of Foreclosure (Voluntary Conveyance)
- Inventory Properties.

Rural Development Vouchers must be offered to all eligible tenants in these situations.

Tax sales and valueless liens are not considered prepayment.

#### **5 Document Timelines.**

The Rural Development Voucher process does not begin until the tenant forwards the executed VOF to Quadel and funds have been obligated by the State. No payments are made until all required documents are received from the tenant and the landlord. Late or incorrect submissions do not entitle the landlord to retroactive payments.

The tenant has 10 months from the date of prepayment or foreclosure to request a voucher by submitting a signed VOF. If the 10-month period passes with no activity by the tenant, no further action is necessary. No Rural Development Voucher funds will be obligated after this time for the tenant.

The tenant has 60 days from the date of voucher issuance to locate a unit and begin using the voucher. Upon request, an additional 60 days may be granted. If the tenant is issued a Voucher and does not use it in the maximum 120-day period, and does not receive an additional extension, the obligation should be cancelled by the 150<sup>th</sup> day after issuance.

Initial leases and the HAP contract must be for a period of one year.

Leases must be signed within one month of the lease start date.

HAP contracts may be executed up to 60 days after the beginning of the lease term. Exceptions must be requested in writing by the landlord and approved by the National Office or Quadel.

HAP contract payments cannot precede the HAP start date.

States can monitor specific voucher activity using the new Quadel SharePoint available at <http://quadel-rdvp.icfi.com/default.aspx>

## **6 Original Signatures - New**

The Office of the Attorney General has determined that original signatures are required for the following documents:

- Voucher Obligation Form (VOF)
- Voucher Form
- Request for Tenancy Forms (RTA)
- Housing Assistance Payment Contract
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This means that hard copies of documents must be transmitted to Quadel and the State. The States must have original signatures on the VOF in order to obligate funds and on the HAP contracts in order to disburse payments.

## **7 Tenant Eligibility - New**

As part of the citizenship verification process, we will accept a copy of a birth certificate from a hospital in the United States bearing an official seal as evidence of US citizenship. The proof of citizenship requirement is for new voucher holders only.

## **8 Sample Leases - New**

We will no longer require tenants or landlords to forward sample, unexecuted leases as part of the RTA package.

## **9 Renewal Process and AMAS Procedures**

The Voucher Demonstration Program HAP payments will be renewed annually based upon appropriations. The HAP renewal process is as follows:

- Approximately sixty (60) days prior to expiration of the HAP contract, Quadel sends a renewal packet to the tenant. The renewal packet includes a cover letter and a Renewal Voucher Obligation Form (RVOF)
- The tenant returns the signed RVOF to Quadel and it is forwarded to the State
- The State approves and obligates the renewal funding in AMAS
- The State determines appropriate time to initiate MIC
- The MIC must be processed after the automatic payment has been disbursed. For example if the automatic payment is disbursed on April 1, then process MICs on April 3.

## **10 Move Process and AMAS Procedures**

Tenants may move with the Rural Development Voucher if the tenant and the owner mutually agree to break the lease prior to the end of the lease term or the tenant may opt to move at the end of the lease term.

- Tenants must contact Quadel with their intentions.
- Quadel will send a move packet to the tenant. The move packet includes: a cover letter; VOF; voucher; RTA and lead paint forms.
- Upon receipt of required documents, Quadel will ask the State to schedule a unit inspection.
- Upon receipt of passed unit inspection results from the State, Quadel sends unexecuted HAP Contract to owner for signature.
- Upon receipt of signed HAP Contract, Quadel notifies the State to:
  - i. Stop payments at the current unit at the correct time & de-obligate funds at that unit.
  - ii. Obligate funds for the new unit. The State will need to make sure that a new project is established in AMAS for the tenant. (Do not change the name of the existing landlord due to Internal Revenue Service requirements.)
- The State will fax the completed (Rural Development signed) VOF for the new unit back to the Contractor to show that funds have been obligated.
- Once Quadel receives the completed VOF back from the State, Quadel will execute the HAP Contract.
- Quadel will then send the executed HAP contract to the State and request payment to begin.

These steps apply whether the tenant wants to move out of the property within the same state or to a new state. **If the tenant wants to move to another unit in the same property, the tenant will get a new lease. A new lease requires a new HAP. A new HAP requires a new obligation.**

#### **11 Change In Management Agent**

If management agent of the property changes:

- If only Electronic Funds Transfer (EFT) information is changing, there is no de-obligation and re-obligation needed. The state or Quadel will collect the new EFT information from the owner.
- If the Taxpayer ID changes, a de-obligation & re-obligation of funds is required.
- Form SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form" should be used for capturing changes in EFT or Taxpayer ID.

#### **12 Change In Ownership and AMAS Procedures**

If the ownership of the property changes, the owner will be required to sign new leases with tenants and sign a new HAP contracts will start the same day as the new lease.

- HAP Contracts will no longer be assigned in Change of Ownership cases.
- A new VOF needs to be collected from the tenant so that a new obligation can be made.

- A tenant's unused funds from the previous obligation (if any) will have to be de-obligated so that the new owner's EFT information can be entered into AMAS.
- The ownership change will require that a new project number be created in AMAS
- New obligations will need to be made prior to new lease start date.
- Tenants will need to agree to new 12-month lease.
- Change of Ownership form will still need to be signed so that it's clear that old owner is aware of the change.

### **13 HAP Contract Terminations**

HAP contract terminates automatically when:

- The tenant moves from the unit;
- The tenant relinquishes the Rural Development Voucher;
- Rural Development terminates voucher rent assistance for the tenant;
- The landlord or tenant terminates the lease;
- The landlord evicts the tenant.

The tenant or landlord must notify Quadel if any of the above situations exist. If the State is contacted, then the state must notify Quadel. Upon notification, Quadel will forward HAP termination notices to the tenant, the landlord and the State. Once notified the State is responsible for the de-obligation of funds in AMAS or collection of unauthorized assistance and needed.

Tenants must be aware that if they elect to no longer use the Rural Development Voucher they are not eligible to receive another Rural Development Voucher. Once the Rural

Development Voucher is relinquished by the tenant, no subsequent Rural Development Voucher may be issued to that tenant.

### **14 Cancelling Obligations; Collecting Funds and AMAS Procedures**

To cancel an obligation, the State office must prepare Form RD 1940-10, "Cancellation of US Treasury Check and/or Obligation" and process an M1D "Cancel Loan/Grant Obligation" in AMAS. Refer to the AMAS manual for instructions to process this transaction.

To cancel an ACH disbursement, the Field Office must call the Cash Management Branch Disbursement Request Line at 314-457-4031 and request assistance to reject an ACH disbursement. If a reject is not allowed, the Field Office must contact the owner to obtain the funds. The field office must include these funds and a completed Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation", with their daily wholesale lockbox deposit. On Form RD 1940-10, please indicate in Box 16, Remarks, the name and tenant ID number and the month for which the check is being cancelled.

If a Treasury check was issued, the Field Office must obtain the check or replacement check from the owner, and submit with a completed Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation", with their daily wholesale lockbox deposit.

**15 Attachment.**

Attachment 1 provides a revised timeline for Rural Development Voucher Issuance.

These policies will be incorporated into the updated Rural Development Voucher Guide. If you have any questions regarding this memorandum, please contact Joan Atkinson of the Multi-Family Housing Portfolio Management Division at (202) 720-1609.

## RURAL DEVELOPMENT VOUCHER ISSUANCE PROCESS

<b>PREPAYMENT*</b>	<b>FORECLOSURE AND OTHER PAYOFFS</b>
Borrower requests prepayment request.	State forwards acceleration letter to Borrower.
State sends Tenant Letter #1.	State sends Tenant Letter #1A.
Borrower declines incentives. State approves prepayment. State sends Tenant Letter #2.	State proceeds with foreclosure according to state law.
State orders RCS.	State orders appraisal and RCS – Do not order more than 90 days prior to sale or proceedings.
Borrower prepays.	Foreclosure/payoff occurs.
State completes Voucher Determination Summary (VDS).	State completes Voucher Determination Summary (VDS).
State forwards the VDS to National Office Via email.	State forwards the VDS to National Office Via email.
National Office approves VDS.	National Office approves VDS.
Quadel sends Tenant Letter #3 with voucher amount and appeal rights; includes Voucher Obligation Form. (VOF)	Quadel sends Tenant Letter #3 with voucher amount and appeal rights; includes Voucher Obligation Form. (VOF)
Tenant returns signed VOF with proof of citizenship to Quadel.	Tenant returns signed VOF with proof of citizenship to Quadel.
Quadel mails original VOF to State for obligation.	Quadel mails original VOF to State for obligation.
State obligates funds using original VOF and returns a signed copy of the VOF to Quadel.	State obligates funds using original VOF and returns a signed copy of the VOF to Quadel.
Quadel sends tenant letter #4 which includes the voucher, the Request for Tenancy Approval Form, the HUD lease addendum, and lead paint forms.	Quadel sends tenant letter #4 which includes the voucher, the Request for Tenancy Approval Form, the HUD lease addendum, and lead paint forms.
Tenant identifies unit and submits completed request for tenancy to Quadel.	Tenant identifies unit and submits completed request for tenancy to Quadel.
Quadel requests unit inspection by the State.	Quadel requests unit inspection by the State.
State inspects unit within <b>30 days</b> of notification from Quadel. The State Director's letter may replace the inspection.	State inspects unit within <b>30 days</b> of notification from Quadel. The State Director's letter may replace the inspection.
State approves unit and informs Quadel.	State approves unit and informs Quadel.
Quadel forward two HAPS to the Landlord for signature.	Quadel forward two HAPS to the Landlord for signature.
Quadel executes HAP contract and forwards an original fully executed HAP to the State.	Quadel executes HAP contract and forwards an original fully executed HAP to the State.
State sets up EFT via AMAS.	Set up EFT via AMAS.
State begins payment by initiating MIC manually.	State begins payment by initiating MIC manually.
Voucher payment to landlord begins.	Voucher payment to landlord begins.
State reviews Voucher Disbursement Verification Report by the 20 <sup>th</sup> of each month.	State reviews Voucher Disbursement Verification Report by the 20 <sup>th</sup> of each month.
National Office submits Voucher	National Office submits Voucher



Disbursement Verification Report to DCFO by the 25 <sup>th</sup> of each month.
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Disbursement Verification Report to DCFO by the 25 <sup>th</sup> of each month.
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\*Voucher issuance does not include all processes that may be required by 7 CFR 3560 subpart N, Housing Preservation.