

Project-Based Section 8 Contract Administration Definitions

Please note: This list is not intended to be an official guide to complying with HUD regulations regarding the project-based Section 8 program or any other program. Definitions and policies may be changed by the Government; therefore this list is not a substitute for official HUD policy guidebooks, notices, etc.

Adjusted Income: The income amount used to calculate the tenant's rent, which is produced by subtracting total allowances from gross annual income. Adjusted income is calculated for all programs except BMIR.*

Appropriation: One of the basic forms of Budget Authority. Statutory authority that allows federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority.

Assistance Payment: The HUD-paid portion of the rent. Same as the Tenant Assistance Payment or Housing Assistance Payment. In Section 8, RAP and Rent Supplement it is calculated by subtracting TTP from the gross rent. In the Section 202/811 PRAC programs the TTP is subtracted from the operating rent.*

Basic Rent: The minimum rent paid by tenants receiving Section 236 assistance. This HUD-approved rent is designed to cover the owner's actual costs of operating the unit, including any allowable profit. This is a subsidized rent because HUD provides assistance to reduce the owner's interest expenses.*

Budget Authority: Authority provided by law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. Budget authority may be classified by its duration: One-Year [Annual] Authority, Multiple-Year Authority, or No-Year Authority, by the timing of the legislation providing the authority (Current Authority or Permanent Authority, by the manner of determining the amount available (Definite Authority or Indefinite Authority), or by its availability for new obligations.

Contract Administration: A Contract Administrator (in the case of Minnesota, the Minnesota Housing Finance Agency), enters into a performance-based contract with the federal Department of Housing and Urban Development (HUD) to take responsibility for the following tasks identified below. HUD will assist the Contract Administrator, but will retain the full responsibility for all activity regarding the insured mortgage loan.

- Conduct management and occupancy reviews
- Adjust contract rents
- Process HAP contract terminations or expirations

- Pay monthly vouchers from Section 8 owners
- Respond to health and safety issues
- Submit Section 8 budgets, requisitions, revisions and year-end statements
- Submit audits of the CA's financial condition
- Renew HAP contracts
- Report on CA's operating plans and progress
- Follow up on the results of Section 8 project physical inspections
- Monitor deficiencies noted in tenant income matching initiatives

Contract Authority: One of the basic forms of Budget Authority. Statutory authority under which contracts or other Obligations may be entered into prior to an appropriation for the payment of such obligations. The later enacted Appropriation provides cash to liquidate such obligations.

Contract Rent: The rent due the owner from both HUD and the tenant. It includes the HUD-approved 236 Basic, BMIR and Rent Supplement rents and the Section 8 contract rent.*

Debt Service: Comprises the principal, interest, and mortgage insurance when applicable.

Disabled Person: A person is considered disabled if (1) the following Social Security definition is met, or (2) the individual has a developmental disability as described in paragraph (b).

- (a) Section 223 of the Social Security Act defines disability as an inability to engage in any substantial gainful activity because of any physical or mental impairment that is expected to result in death or has lasted or can be expected to last continuously for at least 12 months; or, for a blind person at least 55 years old, inability because of blindness to engage in any substantial gainful activities comparable to those in which the person was previously engaged with some regularity and over a substantial period.
- (b) A developmental disability is a severe, chronic disability which:
 - 1) Is attributable to a mental and/or physical impairment;
 - 2) Was manifested before the age of 22;
 - 3) Is likely to continue indefinitely;
 - 4) Results in substantial functional limitations in three or more of the following areas: capacity for independent living; self-care; receptive and expressive language; learning; mobility; self-direction; and economic self-sufficiency; AND
 - 5) Requires special, interdisciplinary, or generic care, treatment, or other services which are of lifelong or extended duration and are individually planned and coordinated.

For Section 202 projects, persons are considered “disabled” ONLY if the criteria in paragraph (b) above are met. For all other purposes, persons are considered disabled if they meet the criteria in either (a) or (b).*

Disbursements: Payments made using cash, checks, or electronic transfers. Disbursements include advances to others as well as payments for goods and services received and other types of payments made.

Elderly Household: (For allowance purposes only.) A family whose head, spouse or sole member is 62 years of age or older, handicapped or disabled (see Handicapped and Disabled). *

Equal Employment Opportunity (EEO): Term which refers to a variety of activities to ensure non-discrimination in hiring, promoting, and managing employees.

Equal Housing Opportunity Plan (EHOP): Plan developed by Public Housing Agencies for use in Section 8 and Moderate Rehabilitation programs.

Extremely Low Income: A family whose income does not exceed 30% of the median income for the area as determined by HUD.*

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

Fair Housing Assistance Program (FHAP): A Program to assist state and local agencies and community housing resources boards in processing Fair Housing Act complaints.

Fair Housing Initiatives Program (FHIP): A Program to assist states, local agencies, fair housing groups, and community housing resource boards in bringing public and private efforts together to combat housing discrimination.

Fair Market Rents (FMR): Rent Schedules published in the Federal Register which establish maximum eligible rent levels allowed under the Section 8 program by geographic area.

Federal Housing Administration (FHA): An insuring entity established by legislation, administered by the Assistant Secretary for Housing, who is responsible for the Department's various mortgage insurance programs.

Gross Rent: The Contract Rent (see Contract Rent) plus any allowance for utilities (see Utility Allowance) and other services.*

Handicapped: (for eligibility purposes) This definition varies by program. Consult HUD manuals and guidebooks.*

HAP Officer- Housing Assistance Payments Officer: An MHFA staff member charged with overseeing the renewal of contracts and funding, as well as determining correct rents, for a HUD-insured portfolio of project-based Section 8 projects.

Housing Finance Agencies (HFA): State or local agencies responsible for financing and preserving privately owned low- and moderate-income housing within the state or locality.

HMO- Housing Management Officer: An MHFA staff member charged with performing annual reviews of a project's property management practices, following up on REAC physical inspections of a property, and handling tenant and owner/agent concerns. MHFA employs ten HMO's, each with responsibility for projects in a particular region of the State.

HUD Passbook Rate: The passbook interest rate used to compute income from assets.*

Imputed Income from Assets: Obtained by multiplying total cash value of family assets by the current HUD Passbook Rate (see definition).*

Interest Reduction Subsidies: The monthly payments or discounts made by HUD to reduce the debt service payments and, hence, rents required on Section 236 and BMIR projects. Includes monthly interest reduction payments made to mortgagees of Section 236 projects and front-end loan discounts paid on BMIR projects.*

Live-in Aide: A person who resides with an Elderly or Disabled person(s) and who: (a) is essential to the care and well-being of the person(s); (b) is not obligated for the support of the person(s); and (c) would not be living in the unit except to provide the necessary supportive services. A Live-in-Aide may be a relative. A Live-in-Aide is not party to the lease and his/her income is not considered in computing annual income, allowances and assistance.*

Low Income: Income that does not exceed 80 percent of area median income.

Low Income Housing Tax Credits (LIHTC): A way of obtaining financing to develop low-income housing. Government programs provide dollar-for-dollar credit toward taxes owed by the housing owner. These tax credits can be sold, or used to back up bonds that are sold, to obtain financing to develop the housing.

Market Rent: The unsubsidized rent the owner would collect if HUD did not make interest reduction or tenant assistance subsidies available to the project. Includes the HUD-approved market rent on a 236 or Rent Supplement project, 110% of the HUD-approved BMIR rent, and the contract rent on a Section 8 unit.*

Minnesota Housing Finance Agency (MHFA): A state agency created in 1971. MHFA provides funding for a variety of housing needs. The Agency helps people buy their first homes or fix up their existing homes and to build and fix up affordable apartments, single family homes, shelters, and transitional and supportive housing. MHFA works cooperatively with others to revitalize older neighborhoods and communities, build new housing around the state, and preserve the stock of federally-assisted rental housing. (See Housing Finance Agencies)

Mixed-Finance: Refers to the combination of public housing funds with other government and private funds to develop low-income and public housing authorized to PHAs by 24CFR 941.

Mixed-Income: Refers to a resident mix that includes families with various income levels within one development. Mixed-income developments combine public housing families with other residents in order to decrease the economic and social isolation of these families.

Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA): A legislative act enacted to preserve low-income rental housing affordability while reducing the long-term costs of Federal rental assistance, including project-based assistance, and minimizing the adverse effect on the FHA insurance funds. HUD established the Office of Multifamily Housing Assistance Restructuring (OMHAR) to administer the Mark-to-Market program and to implement the requirements of the act.

Multiple-Year Authority: Budget Authority which is available for a specified period of time in excess of 1 fiscal year. This authority generally takes the form of 2-year, 3-year, etc., availability but may cover periods that do not coincide with the start or end of a fiscal year. Also known as "forward funding".

One-Year (Annual) Authority: Budget Authority which is available for obligations only during a specific fiscal year and which expires, if not obligated, at the end of that time. Also known as "fiscal year" or "annual" budget authority.

Project: Buildings that are located on adjacent sites and managed as one project, even if they have separate mortgages and/or project numbers.*

Public Housing Agency (PHA): Organization created by local government which administers HUD's Low-Income Public Housing Program and other HUD programs.

REAC- Real Estate Assessment Center: A division of HUD which performs physical inspections of project-based Section 8 properties.

Rent Supplements: Supplemental payments to owners of private housing on behalf of qualified low-income tenants, authorized by Section 101 of the Housing and Urban Development Act of 1965. New contracts are no longer available and have been replaced generally by the Section 8 program.

Rental Rehabilitation: Grants to cities and states for rental housing rehabilitation. These grants, authorized by Section 17 of the Housing Act of 1937, as amended by the Housing and Urban-Rural Recovery Act of 1983, are designed to attract private financing to rehabilitation.

Section 202: Loans for the construction or rehabilitation of housing for the Elderly and Handicapped, authorized by the Housing Act of 1950.

Sec. 202 Mandatory Conversion: Requires Public Housing Authorities to demolish or sell certain public housing units which cannot be reasonably operated or revitalized due to their deteriorated condition.

Section 203: Basic Single Family housing mortgage insurance.

Section 207: Basic Multifamily housing mortgage insurance.

Section 221 (d) (2): Mortgage insurance on Single Family housing for low- and moderate-income families.

Section 221 (d) (3): Mortgage insurance on Multifamily housing for low- and moderate-income families.

Section 221 (d) (4): Intended to be an extension of the 221 (d) (3) program, but for profit-motivated mortgagors. Used frequently for development of Section 8 New Construction and Substantial Rehabilitation projects.*

Section 223 (e): Mortgage insurance for housing in older declining neighborhoods.

Section 223 (f): Mortgage insurance for refinancing of existing Multifamily housing.

Section 231: Mortgage insurance for housing constructed or rehabilitated primarily for elderly persons.

Section 235: Mortgage insurance and interest subsidies for low- and moderate-income home buyers.

Section 236: Rental and cooperative housing subsidies and mortgage insurance to reduce mortgage interest costs on rental units for lower income families.

Section 312: Rehabilitation Loan Program which provides low-interest loans for the rehabilitation of housing in certain Federally-aided areas.

Tenant Assistance Payment: The monthly amount HUD pays toward tenant's rent and utility costs. Is equal to the difference between the Gross Rent and the Total Tenant Payment. Includes the Rent Supplement, RAP and Section 8 regular monthly payments.*

Tenant Rent: The portion of the contract rent payable by the family (the difference between the Total Tenant Payment and the Utility Allowance.*

Total Tenant Payment (TTP): The portion of the Gross Rent payable by the family. (Or, the difference between the gross rent and the amount of the assistance payment payable on behalf of the family.)*

TRACS- Tenant Rental Assistance Certification System: TRACS is a HUD computer system developed to help improve financial controls over assisted housing programs by automating manual procedures and incorporating automated controls. (definition from HUD website)

TRACS Officer: An MHFA staff member charged with receiving, reviewing, verifying and paying the monthly HAP vouchers submitted by projects in the MHFA Contract Administration portfolio. These staff members work with the projects to ensure reliable and accurate processing of electronic data between the project, MHFA, and HUD.

Utility Allowance: A HUD-approved amount determined as an allowance for the cost of utilities (except telephone) payable directly by the family.*

Utility Reimbursement: Housing assistance payable by the owner to the family. (or, the amount by which the utility allowance exceeds the Total Tenant Payment).*

Very Low Income Family: A family whose income does not exceed 50% of the median income for the area as determined by HUD.*

* Definitions followed by an asterisk are used with permission from **Quadel Consulting Corporation**.

