



# Creating and Reporting Tenant Repayment Agreements



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# Creating and Reporting Tenant Repayment Agreements

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### Prerequisites and Session Goals

- Participants are expected to have a fundamental understanding of owner obligations to reimburse HUD for overpayment of assistance, as discussed in Section 4 of Chapter 8 of HUD Handbook 4350.3, Change 4.
- During this session, participants will:
  - Learn what circumstances prompt tenant subsidy repayment agreements.
  - Learn how to identify and educate tenants as to what lease obligation(s) were not met.
  - Explore effective techniques and policies to minimize the reoccurrence of subsidy overpayments in the future.
  - Learn the six required elements of agreements and how to effectively negotiate terms with the resident.
  - Learn what types of transactions are reported on the current TRACS 202D voucher.
  - Test their understanding of various transaction scenarios, using a real-life case study.

### What Prompts a Tenant Subsidy Repayment Agreement?

- Anytime management discovers an overpayment in subsidy, a repayment agreement *might* be necessary. Typically, you discover overpayments in subsidy when:
  - A tenant voluntarily discloses a financial change (increase in income/loss of a deduction), but does so in an untimely manner; OR
  - You discover a potential subsidy overpayment when reviewing an EIV New Hire Detail or Income Discrepancy Report.
- When an income discrepancy is identified, you **must** review the income reported on certifications retroactively 5 years or to the Move-In, whichever is more recent.
  - This 5-year review requirement is for all overpayments of assistance and is not limited to errors found using the EIV system. (**Change 4, 8-21 A.5.**)

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- You may discover that there was unreported or under-reported income (by \$200/month or more) on prior certifications or that new, retroactive certifications need to be created.
  - This income **must** be third party verified prior to preparing any retroactive certs. **(Change 4, 9-10 A.3.)**
  - You cannot take any adverse action (i.e. termination, eviction or repayment agreement) based on EIV data alone, without proper verification. **(Change 4, 9-8 C.)**
- Any original certifications that you are now correcting **must** be properly executed and be in the tenant file.
  - If the owner/management does not have the historical certs in the tenant file, they cannot go back to the tenant to recapture any overpayment of assistance. **(Change 4, 8-21 A.6.)**
  - Be sure that these original certifications are also in your software.
  - If you have changed software products during this time period, you may need to enter “history certs” manually.
  - If these certs are not in your software when you begin processing corrections or retroactive certs, the voucher adjustments/repayment amount calculations will not be correct.
- Once verification of unreported or under-reported income has been received from the source (employer, unemployment, SSA), you **must** immediately give the tenant written notice of his/her responsibility to report income changes. **(Change 4, 7-12.B)**
  - The notice **must** refer to the lease clause requiring an IR when income changes; give the tenant 10 calendar days to respond; and let him/her know that subsidy will be terminated (or eviction, in PRAC properties) if the 10-day deadline is not met. **(Sample Letter 4350.3, Exhibit 7-7)**
    - If the tenant fails to respond, the tenant **must** begin paying market rent on the 1st of the month following the 10-day notice period.
    - Subsidy termination would be effective on the last day of the month.
    - Note: For PRAC sites, the tenant should be evicted for lease non-compliance.

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### How to Minimize the Number of Repayment Agreements In The Future

- The frequent need to create tenant repayment agreements can be an indicator of weaknesses in the tenant interview.
  - The best way to stop the cycle of repeated income discrepancies and potential repayment agreements is to improve interviewing and third party verification techniques to more accurately estimate projected income amounts on certifications.
  - Be sure tenants are aware of (and you have) a written policy defining what is “timely notification” of changes.
  - Managers need to evaluate: how accurate and complete is the information provided on third party employment verification forms?

**Best Practice:** Ask employers for a 12-month (or more) payroll history report that captures *all* fluctuations in pay versus just the last 4-6 paystubs that may, or may not be representative.

### Calculating the Repayment Amount

- After processing all of the retroactive certs in the software, review the voucher that includes the auto-generated adjustments to ensure the net adjustment is accurate and matches your total subsidy overpayment amount used on the Repayment Agreement.
  - When you process retroactive certifications, adjustments will automatically be created on your next voucher. (**HUD-52670, Part 3, Adjustments Page**)
  - The amount can be calculated manually; after all prior certifications (inserted Interims (IR), correction certifications, re-processing of partial certifications) have been completed.
  - If the tenant received too much HUD assistance and wasn't paying enough rent, the sum of the adjustments will be a negative number.
    - These negative adjustments indicate a tenant repayment agreement *may* be necessary (depending on who was at fault for the overpayment (tenant vs. management)).

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### Scenario 1

Gerry Atrick had the following certs on file, with these HUD Assistance Payment amounts:

06/01/2016 AR	\$300
01/01/2017 IR	\$250
02/01/2017 GR	\$240

On February 1, 2017, you print his EIV Income Reports for his upcoming June 2017 AR and discover that Gerry got a job on December 29, 2016 that he never reported in conjunction with his January 2017 IR.

You third-party verified his earnings at this job; Gerry is currently working at the same place. You have processed the certs listed below. The certifications are incorporated on the March 2017 voucher, after they are signed. The **new** HUD Assistance amounts are:

01/01/2017 IR Correction	\$150
02/01/2017 GR Correction	\$140

**Question** - What is the subsidy repayment period and what is the subsidy repayment amount, assuming Gerry signs the repayment on February 10, 2017 and began paying the higher rent on March 1, 2017?

**Answer:** \_\_\_\_\_ to \_\_\_\_\_ in the amount of \_\_\_\_\_.

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### Who Reimburses HUD for Overpaid Subsidy?

- When the tenant **must** repay overpaid assistance due to unreported or under-reported income, it's the tenant who owes HUD, not the property.
- Repayments to HUD are required when and as the tenant repays. Sites are not required to reimburse HUD immediately for the entire balance up front. **(Change 4, 8-21.B-1.)**
- Properties are permitted to reverse the auto-generated repayment created by the adjustments, even if there is no signed repayment agreement in place. **(MAT User Guide, Section 4.9, page 4-16 (Revision Date August 5, 2014))**
  - If the tenant stops paying and is evicted, or skips out without completing the repayment process, the property does not owe HUD for any remaining balance.
- If multiple adults reside in a unit that requires a subsidy repayment agreement, and the adult that misreported the income leaves, the remaining members of the unit remain responsible for the unpaid balance of the agreement.
  - The tenant acknowledges his/her obligation to make such reimbursements via the lease. All adult members of the unit are required to sign both the lease and the HUD 50059. **(Change 4, 8-21 A.2)**
- The tenant is not required to repay HUD for overpaid assistance if the owner fails to follow HUD's procedures and requirements for computing HUD assistance/tenant rent. **(Change 4, 8-21 A.4.)**

### Subsidy Repayment Options

- Tenants can repay...
  - In a lump sum
  - Through a Repayment Agreement (installment payments), or
  - A combination: paying a lump sum when the Repayment Agreement is signed and the remainder in monthly payments.

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- The total the tenant pays, for a combination of the TTP and the Repayment Agreement, should not exceed 40% of the tenant's monthly adjusted income.
  - If the tenant wishes to pay more than that amount, s/he can.
  - There is **no required minimum** amount; the repayments should be an affordable amount and can be renegotiated when financial circumstances of the household change.
  - There is **no maximum time** for the full repayment period. There are no regulations that authorize owners to limit the term of the agreement.

### Required Elements of Tenant Repayment Agreements

- Repayment Agreements **must** include these six items:
  1. **Total retroactive amount owed**, the amount of any lump sum paid when the Agreement is signed (if any), and the monthly payment amount.
  2. **Reference to the lease paragraphs** that show that the tenant is in non-compliance, and that the household may be subject to lease termination (*Family HUD Model Lease use paragraph 18 and 23, Section 202 Model Lease use paragraph 14 and 9, PRACs use paragraph 12 and 8*).
  3. A clause to **renegotiate the terms of the Agreement** if the household's cumulative income goes up or down \$200/month or more.
  4. A statement that the monthly retroactive subsidy **repayment amount is in addition to rent**, and is payable to the owner/agent.
  5. A statement that **late and missed payments constitute default** of the Agreement, and may result in termination of assistance or eviction.
  6. **Tenant and Management signatures.** (Note: HUD recommends that the Head of Household and ALL family members (18+) sign the repayment agreement).

### Rules Governing Payments and Changes to Existing Agreements

- Management cannot apply monthly rent payments to the Repayment Agreement, and all amounts paid by the tenant **must** be deposited into the site's operating account (**Change 4, 8-23.C**)



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- Sites may retain up to 20% of each monthly installment amount collected for documented collection costs expended to meet the requirements. The retention cannot exceed actual administrative costs.
- If the tenant defaults on payments, s/he is in lease non-compliance, and eviction proceedings **must** begin.
- If there is a repayment agreement in effect and a tenant is involved in a new instance of misreporting, a new agreement **must** be created that reflects the new instance.
  - Having a new agreement allows HUD and CAs to properly audit payments related to specific instances of misreporting. (*TRACS 202D MAT User Guide, Section 4.9, page 4-17 August 5, 2014 Revision*)
- A Repayment Agreement is a contract; the only provision for revising it is if the household's income changes.

### HUD-52670-A Part 6 - Repayment Agreement Schedule

- A **Repayment Agreement Schedule** (known as "Section 7" in the MAT 30 file) will show details of each repayment agreement and reversing adjustment.
  - What events will be tracked for repayment agreements?
    - Reversing entries without repayment agreements
    - New repayment agreements
    - Tenant installment payments
    - Cancelled agreements (submitted in error)
    - Reversed Tenant Payments (for NSF checks)
    - Modified Agreements (repayment amount changed)
    - (*Coming in TRACS 2.0.3.A*) - *status indicators*

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### When Will Units With Repayment Agreements Appear on the Schedule?

- Under TRACS 2.0.2.D, only **new** transactions for an agreement will appear for:
  - Reversing adjustments with or without signed agreements
  - Reporting tenant payments.
  - Reporting NSF checks and adjustments to prior agreements
- If a repayment agreement did **not** have a transaction in a given month, the status of that repayment will **not** display on the TRACS 2.0.2.D voucher.
  - This means that neither you nor your accounting department can rely on the Part 6 record to act as an “all-inclusive” list of active repayment agreements.

### Repayment Agreement Example-Imma Winer

- The May 2017 voucher was transmitted on April 4, 2017.
- On April 4, 2017, you printed Imma Winer’s EIV Income and Income Discrepancy Reports for her August 2017 AR.
- Imma’s last cert was an **August 2016 AR**. Her rent was \$450 and the **HUD assistance was \$350**. The contract rent is \$800.
- As you work on her **August 2017 AR**, EIV reports and verifications you receive reveal that **Imma began work on December 12, 2016 and never reported it**.
- You processed a retroactive **January 1, 2017 IR**. Her rent should have been \$550, and the **HUD assistance should have been \$250**. HUD has overpaid assistance by \$100/month from January 1, 2017 forward.
- Since the May 2017 voucher has already been submitted, the adjustments resulting from this retroactive cert would appear on the June 2017 voucher (assuming Imma signed the retroactive certification).
- The HUD overpayment would show on the June 2017 voucher (as the sum of the adjustments for Imma) as \$500 (\$100 x 5 months - January 2017 through May 2017). *(If there were any further delays in Imma signing the certification, this balance would have to be adjusted to include additional months).*
- Imma owes HUD \$500 for overpaid subsidy:

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- If she paid you the entire \$500 before the June 2017 voucher is submitted, you would not have to create a repayment agreement. The \$500 Imma gave you would go into your operating account, and \$500 would be deducted from HUD's June 2017 voucher payment via the regular adjustment page, Part 3. Both the property and HUD would be whole.
- If Imma could not pay the entire amount by the time the June 2017 voucher was transmitted, there would be a Repayment Agreement. Imma could pay a lump sum down, and pay off the rest monthly, or she could pay nothing down and pay the entire amount in monthly installments. These terms must display on the signed agreement.
  - You discuss this with Imma on April 23, 2017 and she signs the certification and the repayment agreement.
  - Per this discussion, Imma pays her old May 2017 rent of \$450 on May 1, 2017 and agrees to begin paying her new rent of \$550 on June 1, 2017. She would make her first \$20 monthly repayment installment on June 15, 2017.

### Repayment Transaction Scenarios

Let's take a look at a few different types of stand-alone tenant repayment transactions that could appear on The TRACS 2.0.2 D Repayment Agreement Schedule (Part 6) of the voucher.

**Note: Participants should consider each of these as stand-alone scenarios.**

1. **June 2017 Voucher:** Show transactions for the initial reversal of signed January 1, 2017 IR and Repayment Agreement (RA).
2. **August 2017 Voucher:** Initial reversal was on a prior voucher. Show transaction for receipt of tenant's June 15, 2017 installment payment of \$20, with no owner retention.
 

Why would this payment be reported on the August voucher, not the July voucher?

*Wait to report all transactions that occurred in a given month until the following voucher submission to ensure checks submitted by tenants will clear the bank.*
3. **August 2017 Voucher:** Initial reversal was on a prior voucher. Show transaction for receipt of Imma's first \$20 installment payment; OA keeps 20% to cover documented costs (costs exceed amount retained).
4. **June 2017 Voucher:** Show initial transaction to report that Imma signs the certifications, but does not sign the Repayment Agreement.

# Adjustments to Schedule of Tenant Assistance Payments Due

## U.S. Department of Housing and Urban Development

Office of Housing  
Federal Housing Commissioner

OMB Approval No. xxxx-xxxx  
(xx/xx/xxxx)

Before completing this form, read and follow the instructions in the Monthly Activity Transmission (MAT) User's Guide. See the statements on the form HUD-52670 information on public burden.

1. Asst. Pymts Due For (mm/yyyy):

2. Project Name:

3. FHA / EH / Non-Insured Proj. No:

4. Section 8 / PAC / PRAC Contract No:

5. Type of Subsidy:

6. Head of Household Name Last, First, Initial	7. Unit Number	8. Adjusting Certification					9. Adjustment Period		10. Calculation Detail				11a. Requested	11b. Approved (HUD/CA use only)				
		Prior or New Billing?	New Cert?	Cert Type	Effective Date	Asst. Pmt.	Beginning Date	Ending Date	Beginning Partial Month	Daily Rate	Full Months	Monthly Rate			Ending Partial Month	Daily Rate	Amount	
12. Totals for this page																		

# Repayment Agreement – Imma Winer

## Happy Homes Repayment Agreement for Overpaid HUD Subsidy

Head of Household Name: Imma Winer

Household member who misreported income: Imma Winer

Unit #: 01 Total Repayment Amount: \$ 500.00 ID #: Winer0000001

(202D Voucher Use Only)

I/We understand that the Total Repayment Amount must be repaid, pursuant to Paragraph 18 of the Lease, because the household *submitted incorrect/incomplete income information for prior certification(s), and/or failed to report household income increases*. That resulted in the household receiving more HUD assistance than I/we were entitled to receive each month, as listed on the chart below.

The chart below shows the amount of assistance received for the months listed (Prior HUD Assistance), as well as the amount of assistance the household should have received (Corrected HUD Assistance).

Effective Date/ Cert Type	Effective Period	Prior HUD Assistance	Corrected HUD Assistance	Difference	Number of Months	Amount Owed to HUD
01/01/17 IR	1/2017-5/31/17	\$350.00	\$250.00	\$100.00	5	\$500
					Total	\$500.00

I/We hereby agree to repay the Total Repayment Amount according to the following schedule:

Total Repayment Amount Owed: \$ 500.00

(Less) Initial amount to be paid: \$ 0.00 on (Date) n/a

Total Amount of Repayment Agreement: \$ 500.00

Monthly Repayment to HUD: \$ 20.00, due on the 15th day of each month.

The monthly Repayment to HUD in addition to rent is effective starting June 15, 2017 and continuing for 24 payments and ending with final payment of \$ 20.00.

Form Continued on Next Page

# Repayment Agreement – Imma Winer

## Happy Homes Repayment Agreement for Overpaid HUD Subsidy

Head of Household Name: Imma Winer

Household member who misreported income: Imma Winer

Unit #: 01 Total Repayment Amount: \$ 500.00 ID #: Winer000001

1. I have received a copy of each 50059 certification that has been added or corrected.
2. I agree that the monthly payment noted above is affordable for my household to pay each month.
3. I agree to deliver each payment, on or before its due date, to the property's management office.
4. I understand that, if my household income goes up or down \$200/month or more, we will renegotiate the amount of the monthly payment and the terms of this Repayment Agreement.
5. I understand that the monthly repayment amount is in addition to my rent.
6. The monthly payment must be paid to this property (the Owner/Agent), not to any individual. (The property will repay HUD as required, through its monthly voucher.)
7. I understand that late/missed payments constitute default of this Agreement, and will result in the entire balance becoming due and payable immediately.

I understand that, if payment of the entire balance becomes necessary, and I fail to remit the entire balance within 10 working days, eviction proceedings (*subsidy termination for 202/8 and 202 PAC*) will be enacted immediately based on Paragraph 23 of my Lease.

I have read this agreement, fully understand my obligation to repay the overpaid HUD subsidy, and agree to all terms listed in this document.

Imma Winer

4/23/17

Head Of Household

Date

Imma Winer

4/23/17

Resident incorrectly reporting income

Date

Other Household Member

Date

Other Household Member

Date

Other Household Member

Date

Witnessed By:

O/A

4/23/17

Owner/Agent

Date



**Repayment Agreements for Schedule of  
Tenant Assistance Payments Due**

**U.S. Department of Housing and Urban Development**  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. xxxx-xxxx  
(xx/xx/xxxx)

Before completing this form, read and follow the instructions in the Monthly Activity Transmission (MAT) User's Guide. See the statements on the form HUD-52670 information on public burden.

1. Asst. Pymts Due For (mm/yyyy): varies by scenario	2. Project Name: HAPPY HOMES			3. FHA / EH / Non-Insured Proj. No:			4. Section 8 / PAC / PRAC Contract No: AL00T000000			5. Type of Subsidy: SECTION 8	
6. Head of Household Name (Last, First)	7. Unit Number	8. Agreement ID	9. Agreement Date	10. Agreement Type	11. Agreement Amount	12. Agreement Change Amount	13. Total Payment	14. Ending Balance	15. Amount Retained	16a. Amount Requested	16b. Approved (HUD/CA use only)
1. Winer, Imma	1	Winer0000001	04/23/17	T	500	500	0	500	0	500	
2. Winer, Imma	1	Winer0000001	04/23/17	T	500	0	20	480	0	-20	
3. Winer, Imma	1	Winer0000001	04/23/17	T	500	0	20	480	4	-16	
4. Winer, Imma	1	Winer0000001	06/01/17	N	500	500	0	500	0	500	
17. Totals for this page											