



## **Overriding HQ Terminations—How to Get Them Back on Track**

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*“It is the owner’s responsibility to process all recertifications in a timely manner. HUD Headquarters will terminate assistance payments if a new recertification is not submitted within 15 months of the previous year’s recertification anniversary date. HUD has instructed Contract Administrators to terminate assistance payments to an owner if a new annual recertification has not been completed and submitted through TRACS within 15 months after the previous year’s anniversary date.”*

The June and October 2005 TRACS industry meetings gave way to multiple lengthy discussions on HQ terminations, reassigning subsidy and industry standards. Prior to the October meeting, Mary Ross of Ross Business Development, Inc. initiated a conference call with Khevin Johnson and the HUD Helpdesk. Her goal was to formulate a standard solution to the issues plaguing the industry regarding overriding an inaccurate HQ termination in the TRACS database and getting the tenant back on subsidy. On October 27, 2005, as the industry came together to discuss a multitude of topics, Ross presented a PowerPoint® detailing a solution to industry stakeholders for answering the question, “How do I get the tenant back on subsidy when they were terminated inaccurately?” Stakeholders were implored to share the solution with the rest of the industry. It is worth noting that Khevin Johnson and the HUD Helpdesk approve of and support the solution and will relay the same message if you call the HUD Hotline at (800) 767-7588.

### **HQ Termination—Causes**

An HQ termination is automatically processed for a tenant when HUD has not received a new recertification within 15 months of the tenant’s recertification anniversary date. HQ terminations generally occur about 96 days from the previous recertification anniversary date. There are three scenarios that would result in an HQ termination being processed for the tenant.

- Resident Non-Compliance – The tenant did not come in to recertify by the recertification anniversary date.
- Delayed Submission – The tenant has until the tenth day of the eleventh month to respond or there are extenuating circumstances for delayed submissions. There are four possible extenuating circumstances to be considered for the tenant:
  - ✓ Extended hospital stay
  - ✓ Emergency hospital stay (unable to sign)
  - ✓ Out of town/country
  - ✓ Other
- Owner/Agent Non-Compliance – This is when the owner/agent fails to certify and/or notify the tenant on time.

### **Recertification Points of Reference**

Ross referenced two important sections in the HUD Handbook 4350.3 Rev-1 regarding delayed submissions from the tenant and owner/agent that could cause HQ termination.



**Delayed Submission, Tenant.** The HUD Handbook 4350.3 Rev-1, Chapter 7, Section 7-8, Paragraph D-2 addresses delayed submission due to a late tenant response.

- a. This situation can occur as follows:
  - (1) The owner provides all three recertification reminder notices in accordance with HUD requirements; and
  - (2) The tenant reports for the recertification interview and provides information and signatures after the cutoff date (i.e., after the tenth day of the eleventh month following the last annual recertification), but before the recertification anniversary date.
- b. The owner processes the annual recertification.
  - (1) Changes in the TTP/tenant rent and assistance payment take effect on the recertification anniversary date.
  - (2) As established in the Model Lease, the third reminder notice fulfills the requirement for a 30-day notice of rent increase effective on the anniversary date.
- c. In all cases where the tenant reports for recertification after the tenth day of the eleventh month after the last annual recertification but before the recertification anniversary date (as described in subparagraph D-2 a above), all adjustments in assistance payments and the tenant's rent are made retroactive to the recertification anniversary date.

**Delayed Submission, Owner/Agent.** The HUD Handbook 4350.3 Rev-1, Chapter 7, Section 7-8, Paragraph D-1 addresses the owner/agent delayed submission.

- a. This situation can occur as follows:
  - (1) The owner fails to provide timely recertification reminder notices per HUD requirements; or
  - (2) The owner has adequate time, but fails to complete verification and recertification processing procedures 30 days before the recertification anniversary date, and fails to provide the required 30-day notice for a rent increase to take effect on the recertification anniversary date.
- b. Changes in the assistance payment take effect on the recertification anniversary date.
- c. Changes in the TTP/tenant rent are effective as follows:
  - (1) On the recertification anniversary date, if the tenant rent decreases as a result of the recertification; or
  - (2) On the first of the month following a 30-day notice period, if the tenant rent increases as a result of the recertification.

### **The Common “Fix”**

The common “fix” for the industry appears to create substantial risk factors. In most cases, the HQ termination gets processed by HUD but the annual recertification is done correctly—it just never makes it to the TRACS database. In this case, the site would call the HUD Helpdesk and would be instructed to submit the actual termination certification and then an initial certification effective the day after the HQ termination. This would successfully override the system-generated HQ termination but would cause further problems. There are three risk factors in handling HQ terminations this way.

- Eligibility for Assistance – When you perform the initial certification, the tenant may no longer be eligible for assistance in your software.



- Change in A/P – This could cause the tenant’s assistance payment to change to an inaccurate number in your software.
- Missing Annual Review – Creating an initial certification causes the annual recertification date to recalculate. This change would be inaccurate and most sites are too busy to remember to change the annual recertification date back to the correct date.

### **The New Recommended “Fix”**

Ross and the HUD Helpdesk concede that whatever “fix” was agreed upon must be HUD Handbook-compliant and will depend on the circumstances that occurred at the site. If the tenant was terminated incorrectly, the “fix” is to submit an annual certification with the original effective date. You can submit this information one of two ways.

- Submit the Annual as a Correction – This action will produce a TRACS error CE251, “No matching certification found for correction submitted.” This error is merely a discrepancy and the certification will successfully be stored causing the HQ termination to be overridden.
- Submit the Annual as a Baseline – By submitting the annual certification with the baseline indicator set to “Y,” you will also successfully override the HQ termination without a TRACS error.

If the tenant was truly non-compliant, then you will want to make sure you submit the termination with the appropriate effective date and then submit an initial certification if the tenant needed to go back on subsidy at a later date.

Please be sure to contact your HUD field office, contract administrator, or your HUD Handbook if you have further termination questions. If you are not sure who your local HUD field office representative is, go to <http://www.hud.gov/localoffices.cfm>.