October 29, 2014

Dear Executive Director:

Subject: Housing Choice Voucher Program (HCVP) Housing Assistant Payment (HAP) Renewal Disbursements and Net Restricted Assets (NRA) Transition – November, 2014

This letter concerns the disbursement of HCVP renewal funds to your public housing agency (PHA) for the month of November, 2014, under the cash management procedures for the program, as well as the continuation of the NRA transition to HUD-held program reserves previously announced. It is important that you review this letter and the Enclosure A included concerning the process by which HUD has calculated the disbursement of renewal housing assistance payments (HAP) funds to your PHA for the month and the basis for the NRA fund balance that is being transitioned to the program reserves in November. You are also encouraged to carefully review PIH Notice 2011-67, which sets out the cash management procedures in detail.

November 1 Renewal Disbursement

In accordance with HUD Notice PIH 2011-67, HUD will disburse HCVP HAP renewal funds on the basis of need each month, as opposed to one-twelfth of a PHA’s annual renewal allocation, as was done prior to 2012. The CY 2014 allocation of HAP renewal funds has been determined and has been previously communicated to each agency, and is the basis for calculating the funds obligated and available to support the needed disbursement for the month of November. HUD is obligating renewal funds for each PHA through the month of December. The obligation amount shown on Enclosure A represents the renewal funds obligated through December. The funds available to support the renewal disbursement consist of all renewal obligations through December, plus all non-renewal obligations through October, minus all disbursements through October. This is a slight departure from prior months in the CY, when renewal funds obligated only through the disbursement month were made available. Since the end of the CY is approaching, HUD is making available in November the PHA’s calculated need up to the remaining renewal funds. PHAs should be aware that this may reduce the amount that remains for December. Line 18 on Enclosure A identifies the CY 2014 renewal funds remaining for disbursement in December.

HUD has determined the funds needed for disbursement for November, 2014 on the
basis of PHA-reported HAP expenses in VMS for the month of August 2014, the most recent month for which we have validated VMS data. The most recent month is used in lieu of the most recent three months as that is considered more accurate at this time, due to national leasing trends. The 3 percent margin included in need calculations in the past is NOT included, as it has resulted in excess advances. The disbursement for each PHA is the lesser of the amount available through December or the calculated need as set forth above.

Enclosed are the calculation and data used to establish the November, 2014 renewal disbursement for your PHA, as well as a description of each line item. The November, 2014 disbursement amount is stated on Line 3 of Enclosure A. A complete description of the calculations is provided on Enclosure B.

NRA Transition

As you have been advised in previous correspondence, HUD is in the process of transitioning the PHA-held NRA to PHA reserves that will be held at HUD on behalf of the PHA until needed by the PHA, in order to comply with cash management requirements.

As part of that process, each PHA was advised of its reported VMS NRA balance as of December 31, 2013, and of the HUD-calculated balance as of the same date based on the PHA’s latest reported FASS balance, to determine the amount of NRA to be transitioned at this time to the PHA’s HUD-held reserves. All PHAs were given the opportunity to review the calculation and to concur or non-concur with the NRA balance. PHAs were also given the opportunity to inform HUD if they did not have the cash on hand to support the NRA. Many PHAs have requested a review and potential revision to their reported NRA balances. If a review for a PHA has been completed, the revised NRA balance for December 31, 2013, and the amount of NRA to be transitioned to the HUD-held reserves is reported on Enclosure A. NRA transitions are being applied against November disbursements where needed and available for those PHAs.

If a review for a PHA has not been completed, the NRA balance to be transitioned as reported on Enclosure A is still the PHA-reported balance. If appropriate, that balance will be revised at a later date. NRA transitions are not being applied against November disbursements for those PHAs. If a PHA has not yet responded to the NRA data validation documents provided by HUD on June 11, the NRA transition was initiated in September, based on the higher of the PHA-reported or the HUD-calculated NRA balance as of December 31, 2013. A PHA response is still required. In all cases, the NRA balance available for transition has been reduced by the estimated PHA use of NRA in CY 2014 through the month prior to the transition.

Guidance on transition of certain unexpended PHA-held funds has been provided separately to all Moving-to-Work PHAs; those transitions began on October 1.
HUD-Held Funds

All PHAs are asked to refer to Line 17 of Enclosure A, which identifies undisbursed Budget Authority (BA) HUD was holding for the PHA as of December 31, 2013. This is the same value reported to each PHA in the NRA validation documents and the revised CY 2014 renewal funding notifications issued to each PHA during the months of June and July, 2014. Please keep in mind that the NRA documents and this November renewal disbursement enclosure provide the actual HUD-held funds as of December 31, 2013. It is important to note in reviewing this line that a portion of this amount may have been already disbursed to the PHA in CY 2014 to date.

Undisbursed BA, HUD-held program reserves, and NRA are available to support HAP payments during CY 2014; the funds held by HUD may be requested through your FMC financial analyst (FA) to complement the scheduled HAP disbursements, as your PHA deems necessary. If the disbursement amounts and excess funds on hand are not sufficient to meet your PHA's known HAP needs for the month of November, 2014, please contact your FMC FA immediately.

HUD's first priority will be to adjust the disbursement by disbursing additional BA and HUD-held program reserves if necessary and available, to ensure coverage if your agency has insufficient resources to cover HAP expenses. HUD will then work with your agency to resolve any issues affecting your ability to meet your HAP obligations. Please keep in mind that the renewal disbursement amount identified for November, 2014 on the enclosure does not include disbursements for incremental vouchers (such as tenant protection funding or new VASH awards) in effect during the month. Those funds are disbursed based on contract effective and expiration dates.

These cash management procedures that determine renewal disbursements do not affect any PHA's renewal funding eligibility; they only affect disbursements and the location of the excess funds. PHAs will still have their full allocation of funds available.

In closing, it is critical that participants are not placed at risk or payments delayed as a result of your PHA having insufficient funds to support HAP payments due to the cash management methodology or the transition of NRA funds to HUD-held reserves. HUD will make the needed funds available via a frontload, to the extent funds are available within your allocation, or from reserves, or via a reduction of the amount of NRA to be transitioned in November, 2014, but, as stated above, you must notify your FA if a frontload is needed. To request a frontload, you should be prepared to provide your actual needs for intervening months not yet reported in VMS, your needs for the month, and your available NRA balance.
Thank you for your attention to this matter. If you have any questions concerning this letter, please contact your financial analyst at the FMC.

Sincerely,

Miguel A. Fontánez
Director
Housing Voucher Financial Management Division