
CHAPTER 4. CONTRACT CLOSE-OUT

4-1. OBTAINING HOUSING VOUCHERS FOR TENANTS OF PROJECTS WITH TERMINATED LMSA CONTRACTS

The Housing and Community Development Act of 1987 directs HUD to award Housing Vouchers to tenants receiving Section 8 assistance upon termination of the contract. The Field Office should take the following steps to obtain vouchers for the tenants of a project where the owner has chosen to terminate the HAP Contract.

A. Notification to Assisted Housing Management Staff

At least 200 days before the expiration of the contract, Loan Management staff should provide the Assisted Housing Management staff with the following information about the project:

1. name of the project;
2. number of housing vouchers required, by bedroom size (number of tenants in the project receiving Section 8 assistance);
3. average annual adjusted income and average annual total tenant payment of the families living in the project, by family size; and
4. copies of current HUD-50059 forms for families receiving Section 8 assistance.

B. Request to PHA

1. At least 180 days before contract expiration, the Assisted Housing Management staff should ask the local PHA if it would be willing to administer the housing vouchers for the families living in the project.
2. If the PHA accepts the responsibility for

administering the vouchers:

- a. The Field Office should:

- o make sure a request for funds is submitted to the Regional Office;
- o ask the PHA to determine the bedroom mix for the vouchers using the HUD-50059 forms and the PHAs occupancy standards; and
- o request the appropriate Field Office Division to begin the application process for the vouchers.
- o send the request for funds to the Regional Office;
- o invite the PHA to submit an application for housing vouchers; and
- o process the housing voucher application up to the steps of preparing the application approval letter and reservation documents.

The Field Office does not need to wait until the voucher funds have been subassigned to invite the PHA to submit an application.

- b. The Regional Office forwards the fund assignment request to the Funding Control Division, Office of Multifamily Housing, Headquarters. Headquarters must receive the fund assignment request at least 60 days before the expiration date of the HAP Contract.

- 3. If no local, regional, or State PHA chooses to administer the vouchers, the Assisted Housing Management staff should contact the

Rental Assistance Division, Office of Assisted Housing, Public and Indian Housing in Headquarters.

C. Reservation of Funds

1. Detailed instructions on fund reservation procedures can be found in the Housing Funding Control Handbook (HUD Handbook 7400.10). Once the Regional Office sub-assigns the voucher funds to the Field Office, the Field Office must complete the following tasks:
 - a. Prepare the application approval letter and funds reservation document;
 - b. Prepare a modified Project Accounting Data (PAD) Form [HUD 52540](#) to reserve funds for the "renewal" vouchers. Staff should follow the "Instructions for Modified PAD" included in Appendix 17. The PAD and approval letter must be signed by the Field Office Manager, and the appropriate copies submitted to the RAD.

Once the RAD confirms the fund reservations, the Regional Office notifies the Loan Management and Assisted Housing Management staff of the application approval. Loan Management staff should then enter the appropriate information into the MIDLIS (or its successor system) system. (Note: The PAD only incorporates changes into the AHAS and MIS.)

- c. Request the Field Office counsel to prepare the Annual Contributions Contract (ACC) for the housing vouchers.
 - d. Send the ACC and financial documents to the PHA for signature.

2. After executing the ACC, the PHA should return the Contract, budget documents, and any PHA Administrative Plan modifications to the Field Office.
 3. The Field Office may execute the ACC once the PHA Administrative Plan and PHA budget documents have been approved.

4-2. PROJECT CLOSE-OUT

A. Owner Submission of Final Tenant Assistance Voucher

1. The owner must submit a final voucher for tenant assistance payments ([HUD-52670](#)) by the 10th day of the month prior to expiration date on the contract. For example, if the HAP Contract expires on July 31, the owner must submit the final [52670](#) by June 10.
2. If the owner is due a payment resulting from a prior period adjustment under the Appropriation #86X0164, Loan Management staff should prepare a separate requisition marked "Ongoing Appropriation #86X0164," approved by the Housing Management Division Director and forward it to RAD for payment. RAD cannot process a prior-year adjustment submitted as a contract renewal requisition, nor can it process a prior-year adjustment under an expiring contract unless the Field Office has approved the request.

B. Owner Submission of Final Voucher for Special Claims

Owners should refer to Occupancy Requirements of Subsidized Multifamily Housing Programs, HUD Handbook 4350.3, for guidance on procedures and deadlines for filing their final voucher for special claims.

C. Close-Out PAD

1. To close-out a project account, Loan Management staff should prepare a PAD to record the contract's expiration and reduce the project's contract authority to zero. The Field Office Director should sign the completed PAD and forward it to the Regional Accounting Division. Undisbursed budget authority will remain in the account until final close-out takes place.
2. The Field Office may allow a maximum of one year from the contract expiration date to close-out the project account. During this

period, Loan Management staff must fully review final HAP vouchers and all special claims before the RAD will issue payments. Field office staff must develop a tracking system that will assist in notifying the appropriate staff when the one year period has ended and when close-out of the project account should commence. If close-out of the project account is not completed within a year, the Field Office may request the RAD to automatically recapture the undisbursed budget authority at the end of the year. Loan Management staff must advise owners in writing if discrepancies are found and corrections must be made to reconcile their accounts prior to close-out.