

## HUD Expansion of Residual Receipt Recapture Effective as of July 19, 2015

On June 19, 2015, the U.S. Department of Housing and Urban Development (HUD) issued a Memorandum\* to all HUD multifamily field offices and to owners of Section 202 and 811 **Project Rental Assistance Contract (PRAC)** properties to implement statutory language in the Consolidated and Further Continuing Appropriations Act, 2015 addressing the remission of residual receipts for projects subject to a Section 202 or 811 PRAC. The new guidance will become effective on **July 19, 2015**.

Here is a list of key changes to expect if you have a PRAC:

- **Any excess balance greater than \$250 per unit in a Residual Receipts account must be remitted to HUD Accounting Center upon "termination" of the Section 202 or 811 PRAC.** Termination is defined as expiration of the contract term, which for most PRACs falls on the annual contract anniversary date.
- The guidance is **also applicable to multi-year PRACs** at the time of contract expiration/renewal.
- **Exceptions may be granted under certain specified circumstances** where HUD determines that larger balances are necessary to assure continued successful operation of the project, including repair plans or other approved uses for utilizing residual receipts that were initiated and approved prior to publication of the memorandum or to liquidate accounts payable that may exist within the first 120 days of the memo.

HUD will also continue to consider releases in accordance with the procedures found in HUD Handbook 4350.1.

- Any cost associated with the employment of a service coordinator for one calendar year shall be an eligible cost, except if the project is receiving congregate housing services assistance under Section 802 of the National Housing Act. The HUD approved service costs will be an eligible expense to be paid from PRAC assistance, **not to exceed \$15 per unit per month**.

If required, owners will continue to submit annual financial statements to the **HUD Real Estate Assessment Center's (REAC)** and make the required deposit to the residual receipts account.

HUD will be reviewing owner's annual financial statements to assure proper accounting of any deposits and withdrawals from the residual receipts account. Specific accounting requirements for project financial statements may be issued by REAC for the upcoming fiscal year ends.

It will be important for you to review current residual receipts levels in your portfolios to assess the impact this memo may have on your properties subject to the guidance and plan for what amount (if any), may be required to be remitted to HUD upon expiration of your current PRAC.

\*Download the entire memo by HUD [here](#).



If you have any questions regarding the upcoming changes or would like to discuss your specific PRAC project, please contact **Michael Abbate**, Audit Manager, at [mabbate@lvhj.com](mailto:mabbate@lvhj.com) or 415-905-5425.

[Click here to read more about Michael Abbate.](#)

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