



**The Housing Conference**  
2017  
AUGUST 21-22, 2017 - BOSTON, MA

## Prepare for Your First MOR

— Reneé McTyeire & Heather Wiedenfeld



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## Overview

— Management & Occupancy Review

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## What is an MOR?

- Office of Multifamily Asset Management monitors project operations
  - Ensures HUD's multifamily housing programs are properly administered
  - Identifies deficiencies to eliminate fraud, waste, and mismanagement

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### Who conducts MORs?

- HUD Multifamily field office
- Contract Administrators
  - Performance-based and traditional

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### When are they conducted?

- First one performed by HUD staff within 6 months of events such as:
  - RAD PBRA conversion
  - Property commencing occupancy
  - Changes in ownership/management
  - When deficiencies have been identified or to monitor O/A's corrective actions

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### When are they conducted?

- Thereafter, CAs perform regularly scheduled annual MORs
  - Resumed MORs March 2016
  - May be either annual or risk-based in the future
  - Lawsuits and upcoming re-bids... stay tuned!

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## MOR Overview

- Consists of three parts:
  - Desk review
  - Onsite review
    - Using Form HUD-9834 and addenda
  - Summary report

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The screenshot shows the 'Management Review for Multifamily Housing Projects' form. It includes a header with the U.S. Department of Housing and Urban Development logo and the form number HUD-9834. The form is divided into several sections: Project Information, Financial Information, Management Information, and a detailed table for Management Review. The table has columns for 'Management Review Item', 'Rating', 'Comments', and 'Action'. The 'Management Review Item' column lists various aspects of the project's management, such as 'Project Description', 'Financial Information', 'Management Information', 'Physical Condition', 'Maintenance', 'Resident Services', 'Compliance', 'Safety', 'Security', 'Accessibility', 'Energy Conservation', 'Environmental', 'Community Development', 'Marketing', 'Leasing', 'Occupancy', 'Rent Collection', 'Record Keeping', 'Insurance', 'Legal', 'Other'. The 'Rating' column has options for 'Satisfactory', 'Needs Improvement', and 'Unsatisfactory'. The 'Comments' column provides space for the reviewer's observations, and the 'Action' column is for the project manager's response.

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## Desk Review

- CA requests a list of documents to be sent to the reviewer
  - Usually needed 2 weeks prior to scheduled review
  - Major policy documents, etc.

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# Addenda

- Addendum C
  - Must be available on the day of the on-site review
- Addendum B, Part A – FHEO Monitoring
  - Must be completed by O/A and ready to give to reviewer the day of the on-site review
  - MUST be original, signed by the owner
  - Must be completed in its entirety

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**Management Review for Multifamily Housing Project** U.S. Department of Housing and Urban Development Office of Housing - Federal Housing Commissioner **ADDENDUM C** (Rev. 06/2015)

**DOCUMENTS TO BE MADE AVAILABLE BY OWNER/AGENT**

**Project Name:** \_\_\_\_\_ **File Number:** \_\_\_\_\_ **Section REAC/FHEO:** \_\_\_\_\_

**Instructions:** Reviewers should place a check mark next to those items that must be available for review. Included in this list are **FHEO** and **REAC** inspections to provide FHEO and a list of requests for documents and special observations each year.

**General Documents**

- All Lease Files and records, including reported, transfer and service files
- Current waiting list
- Last advancement and/or copies of apartment brochures
- HUD approved Lead Safe Title Form (HUD-9245)
- Provisional File
- Work Order Inventory and Log
- Cash Disbursement Journal
- Property and Landlord documents
- Copies of the Form HUD-12870 for the last twelve months, for each individual contract
- Current master budget
- Quarterly budget variance reports
- Summary of Management component analysis
- Copy of Rent Roll
- Copy of Application Form
- Copy of lease, lease addenda and house rules
- Copy of Fair Housing
- Copy of Equal Housing Lender
- Annual Unit Inspection
- Fair Housing "How Your Rent is Determined"
- Copy of the "Resident Right to Responsibility"
- Lead Based Paint Certification
- All Operating Procedure Manuals
- Documentation for HUD's Fairness Under Section 851 or 852
- Service Complaint and Tracking Log
- List of all current Principals and Board Members
- HUD Complaint Access Authorization Form (CAAF) - approved initial and current
- HUD Complaint Resolution Form (CRF) - approved initial and current
- HUD Complaint Approval Letter(s)
- HUD Complaint and Procedures
- Status of Request for individuals without access to the EVV system
- Copy of HUD's Request for Information, signed and dated
- Copy of HUD's and HUD's requested facility Accession Tracking Certificate, signed and dated
- Other

**Civil Rights Year End Limited Monitoring and Section 204 Review Documents**

- Affirmative Fair Housing Marketing Plan
- Tenant Selection Plan, including any approved residency preferences
- Renter advertising
- Fair Housing and Fair Housing poster

Page 1 of 1 HUD-12870-02 (02/2015)  
Ref: HUD Handbook 4010.3 (07/12)  
and HUD Handbook 4010.2

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# On-Site Review

- 9834 questionnaire
  - Interview with O/A designated staff member(s)
- File reviews
  - Minimum 10% of active files, some MO files, and some rejected applications
- Follow-up and monitoring of most recent REAC inspection
  - Including units and common areas with deficiencies
- Obtaining and reviewing LBP certification
  - If applicable
- Resident interviews
  - At the discretion of the CA
- Obtaining completed Addendum B, Part A

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### Summary Report

- Reports for MORs must be completed and sent to O/A (and HUD, if applicable) within 30 days of completing on-site review
- All Summary Report findings must include the condition, criteria, cause, effect, and corrective action

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### Findings

- Condition: Describes the problem
- Criteria: Cites the regulatory/statutory requirement
- Cause: Explains why the condition occurred
- Effect: Describes what happened as a result of the condition
- Corrective Action: Addresses the finding, what is required to correct the finding, and the response timeframe

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### Performance Indicators

- Superior → 90-100
- Above Average → 80-89
- Satisfactory → 70-79
- Below Average → 60-69
- Unsatisfactory → 59 and below

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## Superior

- Consistently exceeds all statutory, regulatory, and Handbook requirements for an Above Average and:
  - Has highly successful policies that meet HUD objectives;
  - Strictly adheres to procedures, resulting in compliance with all agreements, contracts, etc.;
  - Property in exceptional condition with no observable EH&S or other deficiencies;
  - Few errors in the MOR and no major findings;
  - In compliance with LBP and regularly updates AFHMP marketing strategies to address changing demographics, LEP, persons with disabilities, etc.

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## Above Average

- Occasionally exceeds statutory, regulatory, and Handbook requirements and:
  - Has successful policies that meet HUD objectives;
  - Adheres to procedures, with very few exceptions, resulting in compliance with all agreements, contracts, etc.;
  - Property in good condition with no observable EH&S or major deficiencies, but a minimal number of observable minor deficiencies;
  - Minimal errors in the MOR and no major findings;
  - In compliance with LBP and AFHMP is on site with staff trained on implementing the plan, and it serves the primary basis for marketing outreach, including LEP.

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## Satisfactory

- Meets statutory, regulatory, and Handbook requirements and:
  - Successfully carries out objectives of HUD;
  - Policies and procedures established, but are not always adequate to prevent errors;
  - Some observable EH&S/major deficiencies, but evidence the O/A has corrected many deficiencies noted on the last REAC;
  - Staff has deviated from policies, resulting in findings, that minor adjustments or training should cure;
  - AFHMP is available and in compliance, including LEP.

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## Below Average

- Rarely meet statutory, regulatory and Handbook requirements and:
  - Insufficient, ineffective policies and procedures;
  - Policies and procedures to not meet requirements of all agreements, contracts, etc.;
  - Repeated major adverse findings;
  - Open findings from last year's MOR;
  - Substantial observable EH&S/major deficiencies, and evidence O/A has corrected very few deficiencies from last REAC;
  - Not in compliance with LBP requirements, and AFHMP is available, but expired (past 5 years) or not utilized, and staff is not familiar with it.

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## Unsatisfactory

- Does not meet statutory, regulatory and Handbook requirements and:
  - O/A's actions or failure to act have placed the Secretary's interest in jeopardy and does not meet HUD housing objectives;
  - Repeated major adverse findings;
  - Open findings from last year's MOR;
  - Many observable EH&S/major deficiencies, and evidence O/A has corrected no deficiencies from last REAC;
  - Failed to meet state and local housing codes (regardless of REAC score) or failed REAC;
  - Frequently seriously fails to comply with HUD regulations;
  - Not in compliance with LBP requirements, and no AFHMP is available.

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## Major Policies & Related Findings

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### Tenant Selection Plan

- Main guiding policy of a Multifamily housing property
- HUD Handbook 4350.3, REV-1, CHG 4 lists all required topics and some recommended topics
- HUD Housing (H) Notices may also update, expand, or revise required topics

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### Common TSP Findings

- Insufficient language for VAWA protections for applicants
- Missing one or more required topics
- Topics not covered sufficiently
- Insufficient description of SSN requirements and timelines for submission

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### TSP Finding

- Condition: TSP is missing some HUD required topics
- Criteria: HUD Handbook 4350.3 Chapter 4, Figure 4-2
- Cause: O/A did not include all required topics in their tenant selection plan.
- Effect: HUD required topics of Citizenship Requirements and a policy for the VAWA protections were not incorporated into the tenant selection plan.
- Corrective Action: O/A must incorporate the missing required topics into their tenant selection plan and provide the PBCA with a revised copy of the plan by the target completion date (TCD).

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### TSP Finding

- Condition: The tenant selection plan is missing required topics outlined in the 4350.3.
- Criteria: HUD Handbook 4350.3 Chapter 4, Figure 4-2
- Cause: HUD required topic of Procedures for Applying Preferences was not included in the tenant selection plan.
- Effect: Current and prospective tenants may not be aware of the income targeting requirement or the O/A adopted homeless preference, and how the O/A will apply them.
- Corrective Action: O/A must incorporate the missing required topics into their tenant selection plan and provide the PBCA with a revised copy of the plan by TCD.

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### EIV Policy for Use and Security

- 4350 requires O/As to have a policy in place that covers EIV use and security
- EIV findings are a big deal in the Multifamily world... *a really big deal!*
- Monetary penalties...

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### Common EIV Findings

- Not maintaining Master File properly
- Not following document retention policy for EIV
- Not reviewing required reports 90 days after MI submitted to TRACS
- No EIV policy in place or policy is insufficient
- No owner approval letter for Coordinator
- Failing to have Income and Income Discrepancy Reports in tenant file for an IR

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### Common EIV Findings

- Failing to have EIV Summary Report in file showing all family members as "verified"
- Failing to access a report monthly or quarterly, as stated in the 4350 or O/A EIV Policy
- Not following up and resolving a discrepancy within 30 days of the report

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### EIV Finding

- Condition: O/A not running EIV reports according to HUD requirements.
- Criteria: HUD Handbook 4350.3 Chapter 9, par. 9-12, Exhibit 9-5
- Cause: O/A has not been running EIV reports as required by HUD guidelines.
- Effect: EIV data is not being used by the O/A, which may result in discrepancies being missed or Interims that should be performed due to tenant failure to report a death, new hire or other income.
- Corrective Action: O/A must run all reports as of current date and address any issues reported, and must certify to PBCA by TCD they have procedures in place to ensure all required EIV reports are run on schedule as required in the 4350.3. O/A must deduct 5% from the total voucher amount on the next voucher submitted.

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### EIV Finding

- Condition: No evidence of completion of Cyber Awareness Challenge for staff with access to EIV system or reports
- Criteria: HUD Handbook 4350.3, REV-1, CHG 4, Chapter 9, par.9-20 and 9-21; Notice H 2013-06; EIV Instructional Webcasts
- Cause: EIV users and staff with access to reports have not completed the required annual security training
- Effect: Security breach, unauthorized personnel have access to EIV data
- Corrective Action: O/A must ensure all staff with access to EIV data have completed the Cyber Awareness Challenge and printed a copy of the Certificate of Completion to PBCA by TCD. O/A must also provide by TCD, certification to the PBCA that going forward, the O/A will ensure all persons with access to EIV data take required training annually and print certificate.

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## Other Findings

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## File Documentation

- Missing documents or documents not signed/dated by all required parties
  - Initial notice
  - Reminder notices
  - Additional notices
  - Student status acknowledgement
  - Resident's receipt acknowledgements
  - Disposal of assets certification
  - HUD 92006 (Supplement to the Application)
  - Citizenship documents
  - Race and Ethnic Data Form
  - VAWA Notice of Occupancy Rights (5380) and Certification (5382)
    - Finding as of 1/1/18.

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## Documents Finding

- **Condition:** Required documents missing from files (unit #s) including criminal and sex offender checks, reminder notices, and verifications
- **Criteria:** HUD Handbook 4350.3, REV-1, CHG 4, Chap. 5 par. 5-23; Chap. 4 par. 4-14; Chap. 7 par. 7-7; Chap. 6 par. 6-5
- **Cause:** O/A did not include all HUD required documents in files noted above
- **Effect:** O/A is out of compliance with HUD document requirements, and may have moved ineligible persons onto the property, and may be miscalculating TTP/HAP
- **Corrective Action:** O/A must audit all tenant files to ensure all HUD required documentation is in the files. O/A must also certify to PBCA by TCD that going forward, O/A will ensure all files are compliant with all HUD required documents.

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### Common Calculation Findings

- Incorrect rents in software
  - Gross Rent Change wasn't processed by effective date
- Using amounts in EIV to calculate employment or unemployment income
- Not using child support amounts awarded when no documentation tenant has taken steps to collect
- Typos
  - Check the numbers you enter into your software

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### Common Calculation Findings

- At recert, using SS award letter to calculate SS income when resident did not disagree with amounts in EIV
- Counting medical bills instead of receipts or statements showing patient-paid amounts
- Not including tips and bonuses shown on paystubs or employer verifications
- Amounts on 50059 do not match verification documents

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### Calculation Finding

- Condition: Medical deduction given on 50059 does not match patient paid amounts on verifications
- Criteria: HUD Handbook 4350.3, REV-1 CHG 4 Ch 5, par. 5-10 (D)4
- Cause: O/A counted total medical bills owed, not paid amounts shown on verifications
- Effect: Tenant medical deduction incorrect, resulting in incorrect TTP, rent, HAP amounts
- Corrective Action: O/A must recalculate the medical deduction based on paid, unreimbursed amounts on a Correction to the 5/1/17 AR, made effective retroactively to 5/1/17; note that the O/A may not charge tenant rent retroactively for any O/A calculation error. Provide corrected 50059 to PBCA by TCD.

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### Common Verification Findings

- Using EIV to calculate income instead of check stubs
- Using less than 4 pay stubs/more than 6
- Using verifications over 120 days from the date received by O/A
- O/A created verification consent forms that lack required verbiage
- Using a lesser form of verification without showing why 3<sup>rd</sup> party was attempted and not available

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### Verification Finding

- Condition: No verification of disability in file
- Criteria: HUD Handbook 4350.3, REV-1, CHG. 4, Chapter 3, Par. 3-28B and Figure 3-6; Chapter 5, Par. 5-12A & 5-13; Appendix 3
- Cause: O/A did not document tenant as eligible per HUD's definition of disabled
- Effect: Tenant may be incorrectly receiving \$400 deduction
- Corrective Action: By TCD, O/A must obtain and submit to PBCA proper documentation of disability, or correct all effected 50059s to remove \$400 elderly/disabled deduction

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### Common Leasing/Addenda Findings

- Initial lease term less than 365 days
- Blank spaces left in lease
- Lease not signed/dated by all required parties
- Lease modified w/o HUD approval
- House Rules non-compliant with HUD standards
- Pet Rules (if appl.) not in compliance with HUD guidelines
- VAWA or other required addenda not attached or signed and dated by all required parties

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### Lease Finding

- Condition: House Rules are not in compliance with HUD requirements
- Criteria: HUD Handbook 4350.3, REV-1, CHG. 4, Chapter 6, Par. 6-5C(3), 6-9, and 6-12
- Cause: Tenants are instructed they are not allowed to be on their balconies/patios after 10PM
- Effect: House Rules are restrictive to the point of limiting the freedom and rights of tenants to peaceful enjoyment of their units
- Corrective Action: By TCD, O/A must modify House Rules to be in compliance with HUD requirements and submit a copy to PBCA for review

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### Common Application Findings

- Application does not include all HUD required questions/information
- Pre-app does not collect enough info to determine initial eligibility
- Applicants not screened consistently or not screened in accordance with TSP
- No time/date rec'd on applications

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### Application Finding

- Condition: Application does not contain all HUD required questions
- Criteria: HUD Handbook 4350.3, REV-1, CHG. 4, Ch 4, Par. 4-7C(2) and 4-14B(2) and Notice H 2015-10
- Cause: Application does not inquire about drug-related criminal history or sex offender status, including all stated in which HH members have resided
- Effect: O/A does not have the information necessary to determine preliminary eligibility
- Corrective Action: BY TCD, O/A must update application to be in compliance with HUD requirements and submit to PBCA for review

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### Common Waiting List Findings

- Applicants not placed in order per the TSP
- Failure to document the waiting list with every action or contact that effects an applicant

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### Common Move Out Findings

- Final security deposit disposition not sent within 30 days and/or doesn't include amounts retained and why
- Move-out inspection not conducted
- Charges not properly documented in the file
- Move out inspection does not state, "The unit is in decent, safe, and sanitary condition"

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### Common Rejected Application Findings

- Applicant not screened per criteria listed in the TSP
- Applicant screening not consistent
- Denial notice does not have all required verbiage
  - Including right to request a reasonable accommodation

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### MOR Results

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### MOR Results

- Summary report sent to O/A within 30 days of on-site review
- O/A must respond within 30 days with verification of corrective action
- HUD/CA sends close out letter or letter asking for more information or other action within 30 days of O/A response

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### Appealing MOR Results

- O/A may only appeal Below Average or Unsatisfactory rating
- Must appeal within 30 days of date on summary report
- CA/HUD responds with approval or denial of appeal within 30 days

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## Contact Us

We appreciate how hard you work, and that you took the time to come out to the Housing Conference!

Contact Us:

Renee' McTyeire 205.522.9116

[rmctyeire@nanmckay.com](mailto:rmctyeire@nanmckay.com)

Heather Wiedenfeld 208.288.1104

[hwiedenfeld@hotmail.com](mailto:hwiedenfeld@hotmail.com)

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