U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:	**Notice PIH 2017-18**
Office Directors of Public Housing; Regional Directors; Public Housing Agencies.	Issued: September 7, 2017
	This notice remains in effect until amended, revoked or superseded
	Cross References:

SUBJECT: Housing Choice Voucher Program – Guidance on Manufactured Home Space Rentals

1. **Purpose.** This notice provides guidance on the recent statutory change in the housing assistance payment (HAP) calculation for the special housing type *Manufactured Home Space Rentals* in the Housing Choice Voucher (HCV) Program (24 CFR 982.622 through 982.624). This notice also provides general guidance on administering manufactured home space rentals in the HCV program.

2. **Background.** Section 8(o)(12) of the United States Housing Act of 1937 (42 U.S.C § 1437f(o)(12)) provides that a public housing agency (PHA) may make HCV rental assistance payments on behalf of a family that owns a manufactured home, utilizes it as their principal place of residence, and rents the real property on which the manufactured home is located. On July 29, 2016, the Housing Opportunity Through Modernization Act of 2016 (HOTMA) was signed into law. Section 112 of HOTMA amends section 8(o)(12) of the United States Housing Act of 1937 with respect to the use of voucher assistance provided to families who are owners of manufactured housing. On January 18, 2017, HUD published a notice at 82 FR 5458 ("January 18, 2017, implementation notice"), implementing various HOTMA provisions that impact the HCV program, including Section 112. The January 18, 2017, implementation notice also requested public comments. The comment submission deadline was March 20, 2017. The provisions in the January 18, 2017, implementation notice went into effect on April 18, 2017.

3. **Manufactured Housing Space Rental – How it differs from other manufactured housing assistance under the HCV Program**

   For purposes of HCV administration, a manufactured home is defined as a manufactured structure that is built on a permanent chassis, is designed for use as a principal place of residence, and meets housing quality standards (HQS). (See 24 CFR part 982.4(b)). In addition to meeting all the normally applicable HQS standards, the manufactured home must also be placed on the site in a stable manner and must be free from hazards such as sliding or wind damage. The acceptability criteria for this additional HQS performance requirement is that the manufactured home must be securely anchored by a tie-down device that distributes and transfers the loads imposed by the unit to appropriate ground anchors to resist wind overturning and sliding (see 24 CFR 982.621).

A manufactured home may be an assisted unit under the HCV program in one of three ways:

(1) **Regular rental assistance:** The family rents a manufactured home under the regular voucher program. There is no separate charge to the family for the home space—the rental of the unit covers both the manufactured housing unit and the space. PHAs must permit a family to lease a manufactured home and space with assistance under the program – this is not a special housing type where PHAs has discretion over whether to provide this type of assistance.

(2) **Homeownership voucher assistance:** The family purchases the manufactured home under the homeownership voucher program and the program assists the family with their monthly homeownership expenses. This is a special housing type under the HCV program, meaning that the PHA is not required to provide this type of assistance as part of its HCV program, except if needed as a reasonable accommodation (see discussion below).

(3) **Manufactured home space rental assistance:** The family owns the manufactured home but is renting the space under the manufactured home space rental special housing type. This is also special housing type under the HCV program. <u>The HOTMA change for manufactured housing only impacts this type of HCV assistance</u>.

The most common situation is category 1 above, where the family leases both the manufactured home and the space from an owner. In this case the rent to the owner covers the rent for both the manufactured home and the space. The family must not have any ownership interest in the manufactured home. Other than having to meet the additional performance requirement and acceptability criteria for manufactured homes, all normal HCV program requirements apply to the family, owner, and unit. For example, the HAP calculation is no different than the HAP calculation would be for any other rental unit on the HCV program

Both the homeownership voucher option (category 2 above) and the manufactured home space rental (category 3 above) are special housing types under the HCV program. The PHA is generally not required to make a special housing type available as part of its HCV program. In addition, the PHA may limit the number of families that may use this special housing type. However, the PHA must permit the use of this special housing type if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities. The regulations at 24 CFR 982.601 provide an overview of special housing type requirements.

There are important distinctions between these two special housing types. The homeownership voucher option may be used by a family to purchase a manufactured home. However, if the family will not own fee title to the real property (i.e., the land) on which the home is located, the homeownership voucher option can only be used if the unit meets the following two conditions: the home must be located on a permanent foundation, and the family must have the right to occupy the home site for at least 40 years. In the case where a homeownership voucher family does not own fee title to the property but the unit meets the two conditions, the monthly homeownership expenses subsidized by the homeownership voucher include the family's land lease payments (i.e., there is no separate HAP for the cost of the space rental).

A manufactured home space rental must not be combined with homeownership voucher assistance. A single unit cannot be designated as more than one special housing type (see 24 CFR 982.601(e)(2)).

Section 112 of HOTMA is only applicable to manufactured home space rentals, where the family executes a lease to rent the manufactured home space from the owner of the space, and the PHA executes a HAP contract with the owner of the space (category 3 above). The space may be in a manufactured home park or may be an individual lot. Section 112 of HOTMA does not apply to the other two circumstances under which a manufactured home may be an assisted unit under the HCV program.

4. **Summary of the HOTMA Changes**

Section 112 of HOTMA changes the monthly HCV HAP calculation for manufactured home space rentals. Under HOTMA, the definition of the space "rent" that limits the amount of the HAP is amended to include the monthly payments made by the family to amortize the cost of purchasing the manufactured home (including any required insurance and property taxes), in addition to the actual rent that is charged for the manufactured home space, the owner maintenance and managements charges for the space, and the applicable allowance for tenant-paid utilities. The purpose of this change is to allow the HCV program to subsidize the other main housing cost for a manufactured home owner besides the space rent, which is the monthly loan payment the family makes to repay the loan that financed the family's purchase of the home.

In implementing this change, the January 18, 2017, implementation notice eliminates the separate FMR and payment standard previously used for manufactured home space rentals. The payment standard used by the PHA to calculate the HAP for a manufactured home owner family is now the same payment standard that would be used for an ordinary rental unit of the same bedroom size under the PHA's HCV program, based on the HUD published FMR for the area.

In accordance with the January 18, 2017, implementation notice, all HAP contracts for manufactured home space rentals executed on or after April 18, 2017, are immediately subject to the new payment standard and subsidy calculation requirements. With respect to existing HAP contracts for manufactured home space rentals in effect prior to April 18, 2017, the PHA must implement the changes to the payment standard and HAP calculation effective on the family's first regular reexamination after April 18, 2017, but no later than April 19, 2018.

5. **Actions Required of PHAs Currently Administering HCV Manufactured Home Space Rental Assistance.**

PHAs that have implemented the manufactured home space rental special housing type and currently have HAP contracts in effect with manufactured space owners must take the following actions.

a. **Revise the payment standard amounts for units assisted under the manufactured home space rental special housing type.**

The PHA must revise the payment standards for this special housing type, effective April 18, 2017. <u>The payment standard amount used for a unit assisted under the manufactured home space rental special housing type is the same payment standard amount used for regular rental units under the PHA's HCV program</u>.

Because the family's housing costs subsidized by the HCV program now include the family's monthly payments to amortize the purchase of the home, the rationale for establishing a separate FMR (and by extension a reduced payment standard) no longer exists. Consequently, the separate FMRs for manufactured home space rentals under 24 CFR 888.113(g) that were based on 40 percent of the FMR for the metropolitan area or non-metropolitan county under are no longer applicable. In addition, the existing regulation at 24 CFR 982.113(g) that provides that Small Area FMRs do not apply to FMRs to manufactured home space rentals is no longer applicable. The program regulation at 24 CFR 982.503(a)(3) that provides the PHA voucher payment standard schedule shall establish a "single" payment standard amount for each unit size covers the manufactured home space rental special housing type as well as all other rental units under the PHA HCV program. (A PHA may establish separate payment standard amounts for designated parts of the FMR area, but must not establish different payment standard amounts for the same size units within that designated area.)

The HCV HAP calculation for manufactured home space rental HAP contracts that are first effective on or after April 18, 2017 must use the PHA's payment standard schedule for the HCV program, not the previous separate payment standard schedule established for the manufactured home space rentals based on the now inapplicable manufactured home space rental FMRs. If the PHA mistakenly used the old HAP calculation and/or the separate manufactured home space payment standard, the PHA must promptly correct the HAP calculation and make the adjustment to the HAP amount retroactive to the effective date of the HAP contract.

b. Adjust the HAP calculation and HAP amount for manufactured home space rentals under HAP contract prior to April 18, 2017.

For manufactured home space rental HAP contracts that were effective prior to April 18, 2017, the PHA must use the regular payment standard and recalculate the HAP using the new subsidy calculation effective on the first regular re-examination after April 18, 2017, but no later than April 19, 2018. The April 19, 2018 deadline applies to all families, including families on fixed income that may be subject to less frequent income recertification by the PHA.

Family Notification

The PHA must notify the family of the change to the subsidy calculation. The PHA must further notify the family of the PHA's need to obtain documentation from the family to verify if the family is currently making monthly loan payments for the purchase of the manufactured home ("the monthly loan payments"), and the amount of that monthly loan payment (if applicable), which also includes any required insurance and property taxes that are part of the family's monthly loan payment to the lender.

If the PHA has already initiated or completed the reexamination process for the first regular reexamination after April 18, 2017, the PHA will need to provide separate notice to the family regarding the change and the need for the family to provide the verification documentation (discussed below).

If the family is making monthly loan payments, the PHA will also need to notify the family that the family must promptly report to the PHA any change in the monthly loan amount or if the family stops making the monthly loan payment, and that failure to do so is grounds for termination of assistance.

Upon completing the regular reexamination, the PHA must notify the family and the owner of the results of the annual reexamination in writing. The PHA shall apply any increase in the HAP retroactively to the effective date of the reexamination if the effective date of the first regular reexamination after April 18, 2017 has already passed.

6. **HOTMA Revised Subsidy Calculation for Manufactured Home Space Rentals**

The monthly HAP for a manufactured home space rental is the lower of:

(a) The PHA payment standard minus the family's total tenant payment; or

(b) The rent of the manufactured home space (including other eligible housing expenses) minus the family total tenant payment.

Payment Standard

The PHA payment standard amount that is used is from the PHA's HCV program payment standard schedule for the area where the manufactured home is located. The same rule that applies to the HCV program as a whole for determining which bedroom size payment standard applies to manufactured home space rentals, where the payment standard amount is the lower of:

(a) The payment standard amount for the family unit size (i.e., the bedroom size that the family qualifies for based on its size and composition under the PHA's subsidy standards), or

(b) The payment standard amount for the actual size (number of bedrooms) of the family's manufactured home.

Calculating the "Rent" of the Manufactured Home Space

While the term *rent* continues to be used in the statute for manufactured housing space rentals, HOTMA expands the definition of rent to include the other main monthly housing expense incurred by many manufactured home owners, which is the monthly loan payment the family makes for the loan that financed the purchase of the manufactured home.

As a result of the HOTMA change, the *rent* of the manufactured home space is the total of:

(a) the rent charged for the manufactured home space;

(b) owner maintenance and management charges for the space the owner must provide under the lease;

(c) monthly payments made by the family to amortize the cost of purchasing the manufactured home, including any required insurance and property taxes; and

(d) the applicable PHA utility allowances for tenant-paid utilities.

Examples of the HAP calculation are provided in the attachment to this notice.

7. **HAP Calculation: Rent charged for Manufactured Home Space and Owner Maintenance and Management Charges**

The first two components of the "rent" of the manufactured home space are the most obvious – the actual rent charged by the owner of the space for the manufactured home space, and any payment for maintenance and services that the owner must pay for leasing the space. In order for the space rent to be assisted under the program, the owner of the space and the family must enter into a written lease for the space and the lease must include the HCV tenancy addendum

The rent to owner must not include the cost of utilities and trash collection for the manufactured home (24 CFR 982.622(a)(2)). If the owner of the space charges the family a separate fee for the cost of utilities or trash collection, the PHA does not include these actual separate charges in the rent to owner. Instead, the PHA applies the PHA utility allowances for the utilities and the trash collection to the calculation of the total "rent", as opposed to using the actual separate fee the owner is charging the family for utilities or trash collection provided by the owner.

Reasonableness of rent charged for the manufactured home space

The PHA must not approve a lease for a manufactured home space until the PHA determines that the initial rent to owner for the space is a reasonable rent, and the rent to owner for the space must not exceed a reasonable rent during the assisted tenancy. In addition, the PHA must re-determine that the current rent to owner is a reasonable rent at least annually during the assisted tenancy (see 24 CFR 982.622(b)(2)). <u>This is a more frequent rent reasonableness requirement than what normally applies in the HCV program</u>.

In determining that the rent for the manufactured home space is reasonable in comparison to rent for other comparable manufactured home spaces, the PHA must consider the location and size of the space, and any services and maintenance to be provided by the owner in accordance with the lease (without a fee in addition to the rent). The rent for the space must not be more than rent charged by the owner for unassisted rental of comparable spaces in the same manufactured home park or elsewhere. The owner must give the PHA information, as requested by the PHA, on rents charged by the owner for other manufactured home spaces (see 24 CFR 982.622(b)).

The PHA does not take the condition or characteristics of the manufactured home or the family's monthly loan payments into consideration when determining if the owner's rent for the space is reasonable. The PHA is only determining if the rent charged by the owner for the space is reasonable compared to rents for similar spaces, not whether the overall housing costs of the family for both the home and space is reasonable compared to the rental of a similar manufactured home (including the space) in the market area. In this case, the "rent" under consideration with respect to rent reasonableness is only the rent the owner is charging the family to lease the space, not the statutory definition of the "rent" for purposes of the HAP calculation.

8. **HAP Calculation: Family's monthly loan payments for the purchase of the manufactured home**

The monthly payment made by the family to amortize the cost of purchasing the manufactured home is the debt service established at the purchase of the manufactured home. The monthly loan payment made by the family may also include amounts that are required by the lender to cover property taxes and insurance on the manufactured home.

In order to be eligible, the monthly loan payments in question must be for the original purchase of the home, or a refinance of that original loan under certain conditions (as discussed below). Other loans that were subsequently taken by the family (including loans where the manufactured home is used as collateral for the loan) are not included in the HAP calculation.

Monthly payments to pay off the home purchase loan must still be being made by the family in order to be included in the rent calculation. The HAP calculation for a family that has already repaid the loan or did not take out a loan to purchase the manufactured home must not include any amount for loan payments.

The family must promptly report any changes in the monthly loan payment to the PHA (including changes that result in changes to the amount collected by the lender for property taxes and insurance), and the PHA must adjust the HAP amount accordingly.

Components of the Monthly Loan Payment

The debt service portion of the monthly loan payment is comprised of two components, principal and interest.

Principal is the actual amount of the family's loan to purchase the home. A portion of the principal is paid off each month as part of the family's monthly loan payment. The monthly loan payments will gradually reduce the amount the family owes the lender and eventually repay the principal in full.

Interest is the amount that the lender charges the family for borrowing the money to purchase the home and is a percentage of the principal. Interest may be at a fixed rate (where the interest rate on the principal remains constant over the entire term of the loan) or an adjustable rate (in which case the interest rate may fluctuate over the term of the loan.) If the family has an adjustable rate loan, the amount of the family's monthly loan payment may change during the time the family is assisted under the HCV program. If the interest rate and consequently the family's monthly loan payment changes, the PHA must recalculate and apply any change to the HAP amount. The effective date of the change in HAP is the effective date of the change in the monthly loan payment amount.

Property Taxes and Insurance

The monthly loan payment made by the family may also include amounts that are required by the lender to cover property taxes and insurance on the manufactured home. In such a case, the lender collects and escrows these amounts, and then pays the local government and insurance company the amounts that are due from the escrow on behalf of the family. (In cases where the loan payment covers taxes and insurance as well as the principal and interest on the loan, the four components that comprise the monthly loan payment are commonly referred to as PITI.)

If the family's monthly loan payment includes a mortgage insurance premium incurred to finance the purchase of the home, this amount is also included in the monthly loan payment with respect to the HAP calculation. The mortgage insurance premium is separate and distinct from the insurance on the manufactured home. The mortgage insurance premium insures the lender against the borrower's default on the loan, while insurance on the home covers physical damage to the manufactured home.

In order for the family's expenses for home insurance and property taxes to be included in the subsidy calculation's definition of rent, these amounts must be included in the family's monthly loan payment to the lender to amortize the cost of purchasing the home. In other words, the lender collects and escrows amounts for those expenses as part of the family's monthly payment in addition to the principal and interest on the loan in order to pay the insurance and property taxes directly on behalf of the family.

If the family is paying the costs for the home's insurance coverage to any other party (e.g., directly to the insurance company), the insurance costs <u>must not</u> be included in the calculation of the space rent. Likewise, if the family pays their property taxes directly to the local government (as opposed to the lender as part of the monthly loan payment), the property taxes <u>must not</u> be considered as part of the rent in the HAP calculation.

Debt Service for Manufactured Home Set-Up Charges

If the monthly amortization payments made by the family include debt service for the manufactured home's set-up charges, those costs must be included as long as the family is still making the monthly loan payments that amortize those charges. This is the case even if the set-up charges were incurred before the family's HCV assistance commenced.

Impact of Family Refinancing of the Original Purchase Loan

Any increase in debt service due to refinancing after purchase of the home must not be included in the amortization cost of the monthly loan payment used to calculate the rent for purposes of the HAP calculation. If the PHA does not know or is uncertain if the family's current loan is the original loan undertaken to finance the purchase of the manufactured home, the PHA must determine if the family has refinanced the original loan.

If the family has refinanced the loan, the PHA must compare the original debt service amount (the monthly payment amount for the principal and interest on the original purchase loan) to the current debt service amount. <u>If the original loan debt service amount is more than the current debt service amount, the family uses the current loan debt service amount when calculating the HAP for the family. However, if the original loan debt service amount is less than the current debt service amount, the PHA must use the original loan debt service amount</u>. Note that this restriction on any increase in debt service as a result of refinancing only applies to the principal and interest portion of the family's monthly loan payment. <u>The PHA always uses the current amounts for insurance and property taxes that are included in the monthly loan payment when determining the family subsidy</u>.

For example, assume the family originally purchased the manufactured home in 2013. The family's initial monthly loan payment was $600, of which $425 was for principal and interest, $75 was for insurance, and $100 was for taxes. The family subsequently refinanced the loan. The family's monthly loan payment increased to $645, of which $460 was for principal and interest, $75 was for insurance, and $110 was for taxes.

In calculating the family's monthly loan payments that make up part of the "rent" portion of the HAP calculation, the PHA in this case would use lower $425 from the original loan for the principal and interest (which comes from the original loan payment), and the amounts from the current loan payment for the insurance ($75) and the taxes ($110), for a total of $610.

Other examples of the impact of the family's refinancing of the original purchase loan on the HAP calculation are provided at the end of this section.

End of Monthly Loan Payments

Once the family's monthly loan payments end (see section 12 below), the HAP must be recalculated to reflect the change in the "rent" and the change in the HAP must be effective immediately (similar to a decrease in the rent for a regular rental unit under the HCV program). In other words, the PHA would adjust the HAP effective on the first day of the month following the last monthly loan payment by the family. This adjustment is made if the family's monthly payments end for any reason, including but not limited to:

(a) The term of the loan repayment comes to an end and the family has repaid the loan in full.

(b) The family (or another party) chooses to pay off the remaining balance on the loan and repay the loan in full before the end of the term of the monthly scheduled loan payments.

(c) The family has stopped making the scheduled monthly loan payments for any reason (including the lender's deference or forbearance of the loan). However, if the family recommences making the monthly loan payments, the PHA will adjust the HAP accordingly.

9. **Verification documentation for Manufactured Home Purchase Monthly Loan Payments**

The PHA must verify and document the amount of the family's monthly manufactured home loan payment in the tenant file. The PHA must establish standards for this verification and documentation. An acceptable standard of documentation would be the two most recent and consecutive monthly loan payment statements generated by the lender and the family's evidence (such as cancelled checks, bank statements, or credit card bills) of recent payment of the monthly loan amount.

The monthly loan payment statements may be provided to the PHA directly by the family. The monthly loan payment statement serves as acceptable written third party verification since the document originated from a third party source. However, the PHA may, at its discretion, follow up directly with the lender if the PHA has questions or concerns about the documentation and needs further verification of information.

In addition to the amount of the monthly payment due to the lender, it is recommended that the PHA record other pertinent information regarding the loan and payment in the family file such as the date that the term of the loan originated and ends. This information is often found on the monthly loan payment statement and will allow the PHA to proactively track the term of the loan and have advance notice as to when the monthly loan payments are ending and the HAP must be recalculated.

10. **Utility Allowances for Tenant-Supplied Utilities**

The utility allowances for tenant-supplied utilities are the applicable utility allowances from the PHA utility allowance schedule. Under 24 CFR 982.624, the PHA is required to establish utility allowance for manufactured home space rentals that for the first twelve months of assistance must include a reasonable amount for utility hook-up charges payable by the family if the family actually incurs the expenses because of a move. After the initial twelve months of assistance, the PHA no longer includes those utility hook-up allowances in the HAP calculation. Furthermore, these utility hook-up allowances do not apply to a family that leases a manufactured home space in place (in other words, the family had already been leasing the space prior to the effective date of the HCV HAP contract). The utility allowances for manufactured home spaces must not cover costs payable by a family to cover the digging of a well or installation of a septic system.

11. **HAPs to space owner and PHA options regarding the payment of any remaining HAP balance**

Under the manufactured home space rental, the PHA pays the HAP directly to the owner of the manufactured home <u>space</u>. It is likely that in most cases where the family is currently making monthly loan payments for the purchase of the home, the HAP will exceed the rent to the space owner. <u>If the HAP amount exceeds the rent to the space owner, the PHA has several options on to whom it will provide the balance of the HAP.</u>

The PHA may provide the entire remaining HAP balance to the family. This is the most administratively simple approach for the PHA. The family is then responsible for paying the full amount of their remaining housing costs (e.g., monthly loan payment, utilities) directly to the lender and utility suppliers.

The PHA may also choose to pay the remainder of the HAP balance to either the lender or the utility supplier(s), or to both the lender and the utility supplier(s). (There may of course be more than one utility supplier to which the PHA could theoretically pay some or all of the remainder of the HAP balance. The PHA may choose to pay only one utility supplier directly or some of the utility suppliers but not all the utility suppliers. Which utility supplier, if any, to pay directly is at the discretion of the PHA.) If any amount of HAP still remains after the PHA has paid the space owner and then the lender and/or the utility supplier(s), the PHA must provide that remaining HAP amount to the family.

If the PHA is going to pay the remainder of the HAP to both the lender and the utility supplier (or just to the utility supplier but to more than one utility supplier), the PHA must designate the order in which the remaining HAP balance will be paid or otherwise describe how the remainder of the HAP shall be allocated. For example, the PHA's policy might state that the PHA will pay the remaining HAP balance to the lender, and then only pay whatever amount remains after the full amount of the loan payment has been covered to the utility company.

The PHA is not required to pay the lender and utility company if it chooses to pay part of the HAP to parties other than the family and the space owner. The PHA may wish to avoid the complications and administrative burden of having to make a number of different payments to various parties on behalf of the family. <u>The lender or utility supplier has no right to any part of the HAP directly from the PHA</u>.

If the PHA wishes to pay the remainder of the HAP to either or both the lender or the utility supplier, the lender or the utility supplier must be willing to accept the payment directly from the PHA. If the lender or utility supplier is unwilling to receive part of the HAP directly from the PHA, the PHA must pay the remainder of the HAP balance directly to the family.

If the PHA chooses to pay the remainder of the HAP directly to the lender or utility supplier, the amount of the HAP that may be paid to the lender is limited. In the case of the lender, it must not exceed the amount of the monthly loan payment (as defined in section 8 above). With respect to the utility supplier, it must not exceed the utility allowance for the utility in question. If the amount of the remaining HAP balance exceeds the monthly loan payment amount and/or the applicable utility allowance, the difference must be paid to the family.

The PHA must always pay the HAP to the owner of the manufactured home space to cover the full amount of the space rent before there is any consideration of paying the family, lender, or utility supplier. HOTMA provides that the PHA may also choose to make a single payment to the family for the entire monthly assistance amount. However, that provision was *not* implemented through the January 18, 2017, implementation notice. <u>Until that part of the provision is implemented, the PHA must not exercise that option and must pay the HAP to the owner of the manufactured home space</u>.

12. **Family Responsibilities**

A manufactured home owner assisted under the HCV manufactured home space rental special housing type has the same family responsibilities that apply to families receiving regular HCV assistance. The family obligations are found at 24 CFR 982.551.

With respect to HQS, the manufactured home as well as the space is still subject to the HQS requirements of the HCV program, including the initial PHA inspection and re-inspection requirements. If the manufactured home fails the initial HQS inspection, for example, the PHA must not execute the HAP contract with the space owner until the HQS deficiencies are corrected, even though the space has no deficiencies. The owner of the space is responsible for correcting any HQS deficiencies that have to do with the space. However, the family is responsible for ensuring that the manufactured home is in compliance with the HQS. For example, if the unit fails the HQS inspection because there are missing cover plates on electrical outlets within the home, the family is responsible for the repair, not the owner. Essentially, HQS deficiencies related to the manufactured home as opposed to the space is a family breach of the HQS, and the PHA must take prompt and vigorous action to enforce the family obligations.

A key aspect of the family obligations that is unique to the manufactured home space rental housing type is the family's responsibility to promptly report any changes in their monthly loan payment amount and to advise the PHA if they have stopped making their monthly loan payments for any reason. These obligations are covered by 24 CFR 982.551(b), supplying required information. The PHA is encouraged to emphasize the importance of these unique requirements to the family, especially to families that were participating in the manufactured home space rental special housing type prior to the change in the HAP calculation, and consequently did not previously have these obligations as part of their responsibilities to receive rental assistance for the manufactured home space.

13. **Additional information.** Please direct all questions regarding this notice to *HOTMAquestionsPIH@hud.gov*.

/s/
Dominique Blom
General Deputy Assistant Secretary
Public and Indian Housing

Attachment: Sample Calculations

Attachment

Sample Manufactured Home Space Rental Calculations

Example #1

The Smith family is currently receiving HCV assistance under the manufactured housing special housing type. Their current HAP calculation is the following:

Pre-HOTMA HAP Calculation	
Rent to owner	$500
Utility allowances	$150
Gross rent	$650
Lower of space PS or gross rent	$600
Family TTP	$450
Total HAP	**$150**

The PHA is re-calculating the HAP for the Smith family as part of the family's first regular re-examination following April 18, 2017. Relevant information for the HAP calculation is as follows:

Family Housing Costs	
Space rent and owner maintenance and management charges	$520
Family loan payment	$475
Utility allowances	$180
Total	$1,175
Space rent payment standard (pre-HOTMA)	$550
PHA payment standard	$1,200
Family TTP	$450

The PHA calculates the new HAP amount:

HOTMA HAP Calculation		
Rent to owner	$520	
Loan payment	$475	
Utility allowance	$180	
Gross "rent"	$1,175	
Lower of payment standard or gross rent	$1,175	
TTP	$450	
Total HAP	$725	
Total family share	$450	(Gross rent – Total HAP)

The PHA must now distribute the HAP. The HAP ($725) that is paid to the space owner must not exceed the actual amount owed to the owner under the lease ($520). The PHA policy is to provide the remaining balance of $205 ($725-$520) to the family, as opposed to making the payment to the lender or the utility suppliers.

Distribution of HAP	
HAP to space owner	$520
Tenant rent to space owner	$0
Remaining HAP balance to family, lender, or utility supplier(s)	$205

Example #2

The Jones family is currently receiving HCV assistance under the manufactured housing special housing type. Their current HAP calculation is the following:

Pre-HOTMA HAP Calculation	
Rent to owner	$450
Utility allowances	$200
Gross rent	$650
Lower of space PS or gross rent	$590
Family TTP	$500
Total HAP	**$90**

The PHA is re-calculating the HAP for the Jones family as part of the family's first regular re-examination following April 18, 2017. In obtaining loan payment information for the Jones family, the PHA determines that the Jones family refinanced the original purchase loan. The monthly debt service on the original purchase loan is $90 lower than the debt service on the current monthly loan payment. Therefore, the PHA uses the original monthly debt service amount, combined with the current taxes and insurance from the current monthly loan payment, to determine the amount of the loan payment. After this adjustment, the relevant information for the HAP calculation is as follows:

Family Housing Costs		
Space rent and owner maintenance and management charges	$450	
Family loan payment	$600	Current loan payment is $690 but PHA adjusted to reflect the lower principal and interest on the original purchase loan
Utility allowances	$200	
Gross "rent"	$1,250	
Space rent payment standard (pre-HOTMA)	$590	
PHA payment standard	$1,290	
Family TTP	$500	

The PHA calculates the new HAP amount:

HOTMA HAP Calculation		
Rent to owner	$450	
Loan payment	$600	
Utility allowance	$200	
Gross "rent"	$1,250	
Lower of payment standard or gross rent	$1,250	
TTP	$500	
Total HAP	$750	
Total family share	$500	(Gross rent – Total HAP)

The PHA must now distribute the $750 HAP. The HAP that is paid to the space owner must not exceed the actual amount owed to the owner under the lease ($450). In accordance with the PHA policy, the PHA pays the remaining balance directly to the utility supplier. In this example the remaining balance is $300. However, the utility allowance is $200 and since the amount paid to the utility supplier must not exceed the utility allowance, the PHA must pay $200 to the utility supplier and pay the remaining HAP balance of $100 to the family.

Distribution of HAP	
HAP to space owner	$450
Tenant rent to space owner	$0
Remaining HAP balance to family, lender, or utility supplier(s)	$300