



An FSS Escrow Case Study: Jana Williams

This case study covers:

1. Enrolling Jana in FSS
2. Calculating & Tracking Jana's Escrow Credit
3. Posting a Positive OARQ Adjustment to the Voucher
4. Posting a Negative, Retroactive OARQ Adjustment to the Voucher

MEET JANA WILLIAMS

- Jana Williams lives at Elmwood Village with her daughter. She works part-time and is the representative payee for her daughter's SSI. Jana has no additional source of income.
- She attended an FSS orientation and is excited to enroll in the FSS program to begin saving for her goal of homeownership.
- She plans to meet with the FSS Coordinator on January 9, 2019 for her enrollment appointment. Her most recent recertification was effective January 1, 2019 at which time her Total Tenant Payment (TTP) was determined to be \$300 per month.



PREPARING JANA'S CONTRACT OF PARTICIPATION (COP)

- Prior to preparing the COP, make sure to verify that Jana is eligible for the FSS program.
 - » Confirm that she lives in an apartment with a Project-Based Section 8 subsidy.
 - » Refer to your site's FSS Action Plan to verify other requirements.
- Jana's FSS start date will be February 1, 2019 because she completed her enrollment appointment on January 9, 2019.

An FSS Escrow Case Study: Jana Williams

70. Total Employment Income	4,680	81. Total Cash Value of Assets	0
71. Total Pension Income	0	82. Actual Income from Assets	0
72. Total Public Assistance Income	0	83. HUD Passbook Rate	0
73. Total Other Income	7,800	84. Imputed Income from Assets	0
74. Total Non-Asset Income	12,480	85. Asset Income	0

Section F. Allowances & Rent Calculations			
86. Total Annual Income	12,480	97. Deduction for Dependents	480
87. Low Income Limit	47,900	98. Child Care Expense (work)	
88. Very Low Income Limit	29,950	99. Child Care Expense (school)	
89. Extremely Low Income Limit	18,000	100. 3% of Income	
90. Current Income Status	Ext. Low	101. Disability Expense	
91. Eligibility Universe Code		102. Disability Deduction	
92. Sec. 8 Assist. 1984 Indicator		103. Medical Expense	
93. Income Exception Code		104. Medical Deduction	
94. Police / Security Tenant?		105. Elderly Family Deduction	
95. Survivor of Qualifier?		106. Total Deductions	480
96. Household Citizenship Eligibility		107. Adjusted Annual Income	12,000
		108. Total Tenant Payment	300
		109. TTP Before Override	
		110. Tenant Rent	300
		111. Utility Reimbursement	
		112. Assistance Payment	
		113. Welfare Rent	0
		114. Rent Override	
		115. Hardship Exemption	
		116. Waiver Type Code	
		117. Eligibility Check Not Required	
		118. Extenuating Circumstances Code	

Attachment A – Sample Multifamily FSS Contract of Participation

HUD Form 9831A
OMB Approval No.2502-xxxx

Participants
This Contract of Participation for Sufficiency (FSS) Program is between

Elwood Village, LLC
(insert owner entity name) and
Jana Williams
(insert head of household).

FSS escrow account in
nts.
earned income, and
ns the FSS program,
are listed below. The owner will use these amounts to determine the amount to credit to the family's escrow account based on future increases in earned income.

Annual Income	\$ 12,480
Earned Income	\$ 4,680
Total Tenant Payment	\$ 300

The owner will deposit the FSS escrow account fund in an i

The o amount year.

If the FSS p with a family its par

If the but th emplo indepe year, t contra compl

responsibilities resources and e family, and ly.

Multifamily

Meeting Date: 1/9/19
Effective Date: 2/1/19
Expiration Date: 1/31/24

This contract will expire on:
1/31/2024
(insert date)

The owner can extend the term of the contract up to 2

STEP 1: Enter the official owner entity and head of household's name here.

STEP 2: Enter the contract effective date. This will always be the first of the month following the participant's enrollment meeting. The expiration date should be 5 years after the effective date.

Example:
Meeting Date: 1/9/19
Effective Date: 2/1/19
Expiration Date: 1/31/24

STEP 3: Enter income information that is in place at the time of the contract effective date. Property Management can find this on the household's most recent 50059.

Example:
Annual Income: \$12,480 (see Line 86 of 50059)
Earned Income: \$4,680 (see Line 70 of 50059)
TTP: \$300 (see Line 108 of 50059)

**Attachment A –
Sample Multifamily FSS
Contract of Participation**

HUD Form 9831A
OMB Approval No.2502-xxxx

Termination of the Contract of Participation

The contract is automatically terminated if the family's Section 8 assistance is terminated in accordance with HUD requirements.

Additionally, the owner may terminate this contract if:

- (1) the family and the owner both agree to terminate the contract;
- (2) the owner determines that the family has not fulfilled its responsibilities under this contract;
- (3) the family withdraws from the FSS program;
- (4) an act occurs that is inconsistent with the purpose of the FSS program;
- (5) the family moves into a property not offering an FSS program; or
- (6) Lease compliance.

The owner must give a notice of termination to the head of household. The notice must state the reason(s) for contract termination. If the contract is terminated, the family has no right to receive funds from its FSS escrow account. The

owner must close the family's FSS escrow account and remit the balance to HUD.

Under no circumstance will the terminated contract affect the family's admission to assisted housing or the family's right to occupy the unit in accordance with its lease.

Conflict with the Housing Lease

If part of this contract conflicts with the rental lease, the lease will prevail.

Compliance with HUD Regulations and Requirements

The contract of participation must be interpreted and administered in accordance with HUD regulations and requirements. Terms and figures, such as the income and total tenant payment amount on page 1, are subject to correction by the owner for compliance with HUD regulations and requirements. The owner must notify the family in writing of any adjustments made to this contract.

Signatures:

Family

Signature of Head of Household

Date Signed

Property Name

Unit Number

Owner / Owner Representative / Agent

Maria Edwards (Agent)

Name of owner

Maria Edwards

Signature of owner

Property Manager

Official Title

1/2/19

Date Signed

STEP 4: Sign and date the last page of the COP.

The signature date should be prior to the COP effective date.

The FSS Coordinator will review the COP with the resident during the enrollment meeting and get their signature.

Example:

Signature Date: 1/2/19

Effective Date: 2/1/19

RECORD JANA'S ENROLLMENT

- Once the FSS Coordinator has met with the new participant, he/she will share the fully executed COP with the Property Management staff who track and manage the escrow funds.
- The next step is to record the COP information in your property management software or another self-designed FSS tracker. If you have an FSS section in the resident's profile of your property management software, enter their FSS information there.
- At minimum, you will need to record:
 - » Property Name
 - » Unit number and name of FSS participant
 - » Any household ID used by your organization
 - » COP effective date
 - » Annual earned income on the COP
 - » TTP on the COP

JANA STARTS TO SAVE!

- When Jana enrolled in FSS her TTP was \$300/month (the TTP as of the time of FSS enrollment is known as the "baseline" TTP). In May 2019, Jana starts working additional hours at work. She reports her income increase to Property Management right away.
- **Property Management completes an interim recertification.** Based on this recertification, Jana's TTP increased to \$417/month effective June 1, 2019.
- Because she is in the FSS program, and the increase in income and rent is due to an increase in her earnings, she will be able to escrow that difference, building savings in her FSS escrow savings account.
- **Property Management calculates Jana's monthly escrow credit** at the time of the interim recertification using the **Monthly FSS Credit Worksheet**, as shown below. They use information from **Jana's new 50059** effective June 1, 2019 as well as **her COP** to complete her monthly escrow credit calculation.

CALCULATE JANA’S ESCROW CREDIT

- The multifamily escrow credit worksheet provides an easy way to calculate the FSS escrow credit.

Monthly FSS Escrow Credit Worksheet - for Families in HUD-Assisted Multifamily Housing with Project-Based Section 8 Contracts		
	Enter Values in Shaded Cells (this column)	
	↓	
1. Head of Household Name	Jana Williams	Enter the name of the head of household on line 8.
2. Date	May 1, 2019	This is the date the participant entered the program.
3. Baseline Monthly TTP (from CoP)	\$300	Enter the participant's baseline monthly total payment (TTP) from the Contract of Participation (CoP) on line 3.
4. Baseline Annual Earned Income (Total Employment Income) (from CoP)	\$4,680	Guidance: Enter the participant's baseline annual earned income (Total Employment Income) from the CoP on line 4. This information is used to determine the participant's eligibility for the program.
5. Current Monthly TTP	\$417	Enter the participant's current monthly total payment (TTP) on line 5.
6. Current Annual Earned Income (Total Employment Income)	\$9,360	Guidance: Enter the participant's current annual earned income (Total Employment Income) on line 6. This information is used to determine the participant's eligibility for the program.
7. Current Adjusted Annual Income	\$16,680	This is the participant's current adjusted annual income, which is the current annual earned income plus the current monthly TTP multiplied by 12.
8. Low-Income Limit	\$47,900	Guidance: This is the maximum annual income a participant can have to be eligible for the program. This may vary by county and is based on the Area Median Income (AMI) for the county.
9. Very Low-Income Limit	\$18,000	Guidance: This is 50% of the Area Median Income for the metropolitan area or non-metropolitan county and may be found on Form HUD-50059 line 88.
10. Current Monthly Gross Rent (rent to owner plus utility allowance)	\$600	Enter the gross rent of the unit. It can be found on line 31 of Form HUD-50059.

FILL IN ESCROW CALCULATOR: Fill in lines 3 and 4 using information from the COP. Fill in the other lines from the latest 50059.

Best Practice: Save an electronic copy of the participant’s escrow credit worksheet with the corresponding effective date in the document name and use it as a template for future calculations for the participant. The baseline information from the COP will remain the same on every escrow credit worksheet throughout the resident’s participation in FSS.

An FSS Escrow Case Study: Jana Williams

- The bottom box of the spreadsheet calculator generates the new monthly escrow credit explains how it was calculated.

Calculation of FSS Escrow		
A. Growth in Monthly Rent	\$117	This is the amount by which the current TTP exceeds the baseline TTP
B. Growth in Annual Earned Income	\$4,680	This is the growth in annual earned income (line 6 minus line 4).
C. 30% of Monthly Earnings Growth	\$117	This is 30 percent of the growth in monthly earned income (line B divided by 12). 30 percent is used because that's the percentage of adjusted income generally used to determine the TTP.
D. Preliminary FSS Escrow Credit	\$117	The preliminary escrow credit is the lower of: (a) the growth in monthly rent and (c) 30 percent of the growth in monthly earned income. This ensures the FSS escrow credit is limited to increases in the amount of rent paid by the family that is attributable to increases in earned income. The preliminary escrow credit cannot be less than \$0.
E. Max Monthly Escrow Amount	\$300	The monthly escrow credit cannot exceed the (gross rent (line 10) minus the baseline monthly rent (line 3))
F. Adjustment for Incomes in Excess of the Very Low-Income Limit	\$0	Under current FSS program rules, households may not earn FSS escrow for income in excess of 50% of AMI. As interpreted by HUD form 52652, this is applied by subtracting from the FSS escrow an amount equal to 30% of the difference between the family's Annual Adjusted Income (Line 7) and the Very Low-Income Limit (Line 9), on a monthly basis.
G. Eligible for Credit (Yes/No)	Yes	NOTE: Families are not eligible for the FSS credit if their adjusted annual income exceeds 80% of
H. Final FSS Escrow Credit	\$117	For families who are eligible for the credit (Line G), the Final FSS Escrow Credit is the lower of the Preliminary FSS Escrow Credit (Line D) and the Max monthly Escrow Amount (Line E), minus any adjustment for incomes in excess of the very low-income limit (Line F)

Note: Jana's monthly escrow credit, \$117, is the difference between her new TTP (\$417) and her TTP at the time of FSS enrollment (\$300). This is because her increase in rent is due entirely to an increase in her annual earned income. Increases in unearned income do not lead to any increase in escrow.

- The final step is to record Jana's new escrow credit in the property management software or FSS tracker. For example:

FSS Enrollment & Escrow Tracker															
Property		Elmwood Village													
Year		2019													
Resident Information			Monthly Escrow Credit Amount*											Escrow Credit Balance	
Unit Number	Last Name	First Name	1/1/2019	2/1/2019	3/1/2019	4/1/2019	5/1/2019	6/1/2019	7/1/2019	8/1/2019	9/1/2019	10/1/2019	11/1/2019	12/1/2019	2019
15	Williams	Jana		\$0.00	\$0.00	\$0.00	\$0.00	\$117.00							\$117.00

POST A POSITIVE OARQ ADJUSTMENT TO THE VOUCHER

- In order to receive reimbursement for escrow deposits from HUD, you must post Jana's escrow credit as a **positive OARQ adjustment** to your monthly HAP voucher.
- All FSS OARQ adjustments must indicate the following in the comments section:
 - » Voucher Month/Year for the Escrow Credit,
 - » Unit Number,
 - » Head of Household's Last Name, and
 - » the words "FSS Participant"In this case, the comments line for the monthly \$117 OARQ adjustment would read:
12/2018, Unit 15, Williams, FSS Participant
- **Note:** If the staff member who processes the monthly voucher is different from the person who calculates the monthly escrow credit, the new escrow credit amount must be communicated between these two people, using the property management software, your organization's FSS tracker, or another method (such as a shared document, regular e-mail, or standing team meeting). Whatever the method, it should be codified in your property's procedures for FSS.
- Until Jana recertifies again, you will bill HUD every month for the same escrow credit amount, \$117.

RECORD THE OARQ ADJUSTMENT

- **It is a best practice to track both the monthly OARQ adjustment and monthly escrow credit for each FSS participant.** In this instance, the monthly escrow credit is the same as the OARQ adjustment, but in some cases, the two will be different. This is described in greater detail in "OARQ Adjustment Basics" and demonstrated below ("A Drop in Earnings and a Retroactive OARQ Adjustment").

AFTER ONE YEAR IN FSS

- Jana has been in the FSS program for a full year.
- While she had no escrow for the first four months, she began earning \$117 per month in escrow as of June 1, 2019 which continued through January 2020. She has accrued \$936 in the FSS escrow account.
- For each month from June 2019 on, the accounting team has done the following :
 - » entered a positive OARQ adjustment on the HAP voucher for \$117,
 - » received \$117 from HUD,
 - » deposited the \$117 in the savings account the property uses for FSS escrow deposits, and
 - » noted a \$117 credit for Jana's household in the escrow account ledger.

A DROP IN EARNINGS AND A RETROACTIVE OARQ ADJUSTMENT

- In late March 2020, Jana experienced a decline in earned income. Her aunt had a hip replaced, and Jana reduced her hours in order to take care of her relative.
- Jana's annual income dropped to \$13,520 annually and her annual earned income fell to \$6,200 (Jana's change in income was driven entirely by her change in earnings). She recertified immediately and her TTP was reduced to \$338/month effective April 1, 2020.
- The staff member who conducted her recertification completed a new Escrow Credit Worksheet, calculating her new monthly escrow credit to be \$38/month.

Tracking the Change in Monthly Escrow Credit

- The staff member who conducted the recertification has alerted the accounting staff member who manages the OARQ adjustments, the escrow account, and the escrow ledger that an FSS participant has had a recertification.
- The accounting team checks the amount and date against what was submitted to HUD. She identifies a discrepancy – an OARQ adjustment of \$117 was already submitted for April 2020, but the correct amount is now \$38 – which means a **retroactive OARQ adjustment is needed to correct it.**

Posting the Voucher

- On the May 2020 HAP voucher, along with the HAP entries and other OARQ adjustments, the accounting team will submit a retroactive negative OARQ adjustment for Jana’s April 2020 FSS escrow and, on another line, a separate, positive OARQ adjustment for the escrow credit that Jana accrues in May 2020.
 - » The retroactive adjustment is the revised escrow credit amount (\$38) minus the amount originally billed for April 2020 (\$117). $\$38 - \$117 = -\$79$.
 - » A positive OARQ adjustment of \$38 for May 2020.¹

Retroactive OARQ adjustments are common when an FSS participant earning escrow savings has a decrease in earnings.

Rent decreases related to a loss of earnings are effective as of the first of the month following the income decrease – with no requirement for a 30-day notice. By contrast, regular billing to HUD is submitted at least a month in advance.

For this reason, a negative, retroactive OARQ adjustment is usually needed when an FSS participant who is accruing escrow savings has a dip in earnings.

The comments lines for the two OARQ adjustments read as follows:

- For the negative \$79 OARQ adjustment:
4/2020, Unit 15, Williams, FSS Participant
- For the positive \$38 OARQ adjustment:
5/2020, Unit 15, Williams, FSS Participant
- The accounting team should also verify that the correct amounts have been deposited into the escrow account and entered into the escrow account ledger for Jana’s household. If the amounts do not match up, the accounting team will need to withdraw the overage amount, correct the ledger entries, and, ideally, include a note that the ledger has been corrected because of a retroactive adjustment to the amount.

¹ Using two OARQ adjustment lines in this situation – one retroactive and negative and one positive – is a best practice, because it provides a clear record of the change for the accounting staff and for HUD. However, it is technically possible to use a single adjustment, subtracting the overage from the previous month from the positive credit for the new month. For this case, it would be $\$38 - \$79 = -\$41$, leading to a single OARQ adjustment of $-\$41$ with this note in the comments: “5/2019, Unit 15, Williams, FSS Participant.”