



OARQ Adjustment Basics

This document is a quick reference guide to Owner/Agent Request (OARQ) adjustments for FSS escrow. It is adapted from materials produced by Compass Working Capital.

As described on page 20 of the HUD Notice 2016-08, “The FSS escrow account is not funded by the owner. Money that goes into escrow is offset by additional HAP, via creating a monthly OARQ as a positive adjustment to the voucher.” To obtain the funds for the FSS escrow account, the owner must post OARQ adjustments to the monthly HAP vouchers for each FSS participant household earning FSS escrow via TRACS.

POSTING AN FSS OARQ ADJUSTMENT

- All FSS OARQ adjustments must include the following in the comments section:
 - » Voucher Month/Year of the Escrow Credit
 - » Unit Number
 - » Head of Household’s Last Name
 - » “FSS Participant”

Example: 05/2018, Unit A202, Williams, FSS Participant
- At times, the monthly escrow credit amount may differ from the OARQ adjustment to be posted to the voucher. This can happen for a few different reasons, including:
 - » A correction is needed to previously reported values (e.g., due to a data entry/reporting error or a retroactive rent change), but the credit was already posted to the voucher.
 - » There has been a recertification that changes the escrow credit amount retroactively (which may require a negative OARQ adjustment).
 - » The escrow credit was not posted in time for the next month’s voucher submission.
- It is important to keep track of monthly escrow credit amounts **and** the OARQ adjustments.
 - » Property management staff should have access to up-to-date participant-level monthly escrow credit and total balance amounts in order to share it with the FSS participants regularly or as needed.
 - » On the quarterly FSS report, HUD requires you to record both the amount of escrow that accrued each month and the voucher month in which the OARQ adjustment was submitted.

POSITIVE OARQ ADJUSTMENTS

- In general, monthly escrow credits are posted as positive OARQ adjustments to the HAP voucher.
 - » **Example:** Mary's escrow credit is \$50/month. Property management posts a positive OARQ adjustment of \$50 to the voucher each month.
- If the property management team did not include an escrow credit for a previous month, they can adjust accordingly on a future voucher.
 - » **Example:** Hector's escrow credit increased to \$200/month on March 1st but was never posted to that month's voucher or to subsequent vouchers. Property management caught the mistake three months later and posted three OARQ adjustments of \$200 each to the May voucher specifying the month applicable to each adjustment (March, April, May) in the comments section.

NEGATIVE OARQ ADJUSTMENTS

- If the escrow credit decreases after the voucher has already been submitted or a positive OARQ adjustment was already submitted in error, property management will need to:
 - » Post a negative OARQ adjustment to the next voucher. The amount of that retroactive OARQ adjustment will be [the revised amount] minus [the amount already submitted in error]. In cases where the revised escrow credit (e.g. \$50) is lower than what was submitted in error (e.g., \$80), the result will be a negative OARQ adjustment (e.g., $\$50 - \$80 = -\$30$).
 - » If the extra escrow funds have already been received from HUD and deposited in the escrow account, withdraw the amount of the negative adjustment from the escrow account and note the withdrawal on the FSS escrow ledger.
- Negative OARQ adjustments can sometimes be required after an interim recertification or retroactive adjustment.
 - » **Example:** Nakia's monthly escrow credit was \$100/month. Since she recently stopped working, her new escrow credit is \$0/month. However, a \$100 OARQ adjustment was already posted to the next month's voucher. To correct her escrow balance next month, property management will need to post a negative OARQ adjustment of $-\$100$ to the next voucher.
- In the case of a participant who is terminated from the FSS program with a balance in their escrow account, property management must remit these funds back to HUD through a negative OARQ adjustment on their voucher.
- While it is not always possible to avoid negative OARQ adjustments, its necessity can be minimized by: (a) completing a new Escrow Credit Worksheet as soon as an FSS participant comes in for their recertification to calculate the correct monthly escrow amount and (b) immediately updating the systems used to generate the prospective OARQ adjustments to reflect the new escrow credit amount.

HUD RESOURCES

- For additional questions about billing HUD for escrow, reference the HUD resources listed below:
- [Complying with Multifamily FSS Program Requirements](#) Webinar on the MF FSS HUD Exchange.
- [HUD Notice H-2016-08](#), pages 20-22
- Contact the MF FSS staff at HUD Headquarters directly via email: MF_FSS@hud.gov.