



RENTAL HOUSING INTEGRITY IMPROVEMENT PROJECT

Office of Multifamily Housing Programs  
U.S. Department of Housing and Urban Development

# Information Sheet

## HUD Multifamily Housing Automation Rule

July 2004

### 1. What is the Automation Rule?

The Automation Rule requires owners of subsidized multifamily projects to submit accurate data for housing assistance payments through the Tenant Rental Assistance Certification System (TRACS). Data for certification, recertification, and subsidy billing for multifamily subsidized housing projects must be correct and transmitted electronically in order for HUD payments to be made. These requirements are mandated by 24 CFR 208.108, the text of which can be found on HUDCLIPS at [www.hudclips.org](http://www.hudclips.org) under Title 24 -Code of Federal Regulations–2002.

### 2. To whom does the Automation Rule apply?

The Automation Rule applies to project owners and performance based and non-performance based contract administrators who manage assistance contracts for the programs described below.

### 3. Which HUD programs are covered under the Automation Rule?

The following programs are covered under this regulation:

- Section 236 Interest Reduction and Rental Assistance Payment (RAP) programs
- Most Section 8 Project-Based Assistance programs (exception: Section 8 Moderate Rehabilitation program, Project-Based Certificate program, and Project-Based Voucher program)
- Section 221(d)(3) Below-Market Interest Rate (BMIR) program.
- Section 101 Rent Supplement program

- Section 202 Supportive Housing for the Elderly or Disabled with Section 8 Assistance (Section 202/8)
- Section 202 for Persons with Disabilities with 162 Assistance—Project Assistance Contracts (Section 202 PACs)
- Section 202 Supportive Housing for the Elderly with Project Rental Assistance Contracts (Section 202 PRACs)
- Section 811 Supportive Housing for Persons with Disabilities with Project Rental Assistance Contracts (Section 811 PRACs)

### 5. Why is the Rule so important?

Adherence to this Rule is so important because it will enable the Department to substantially reduce the number and amount of rental assistance errors. In 2002, the amount of improper payments (both overpayments and underpayments) for housing subsidy programs totaled \$3.28 billion. This amount represented 17 percent of HUD's program spending. Many errors were caused by inadequate computer and/or quality control procedures. These safeguards are necessary to ensure payments are calculated, rechecked, and disbursed reliably and accurately.

Enforcement of the Automation Rule is a critical component of the Rental Housing Integrity Improvement Project (RHIP), the Secretary's initiative to significantly reduce subsidy payment errors.

### 6. When will owners be required to be in compliance with the Rule?

Owners must now be in compliance with the Automation Rule.

### 7. How do I comply with the requirements of the Automation Rule?

[RHIP Website](http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm)

[www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm](http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm)



Owners of subsidized multifamily projects must submit their tenant data and voucher data electronically. Project owners who currently prepare the certification, recertification, and subsidy billing forms manually must either obtain the necessary hardware and software or sign service contracts to enable them to submit the required information electronically.

HUD will check each month's voucher request for payment and compare it with TRACS tenant data to determine the project's compliance percentage.

## 8. What is the compliance percentage?

The compliance percentage is the ratio of active certifications to the regular units billed each month on the voucher. Active certifications, which are listed on TRACS On-line Query under "Voucher Detail and Summary", are the most current TRACS certification records for the unit. This query does not include units where the tenants moved out or had their assistance terminated. The "Regular Units Billed" can be found on the current voucher submitted to HUD.

TRACS calculates the compliance percentage using this formula:

$(\text{Active certifications} \div \text{regular units billed}) \times 100$

The goal is to have 100 percent compliance.

### Examples:

Property ABC has active certifications totaling 100 in TRACS and regular units billed totaling 100.  
 $100 \div 100 = 1$   
 $1 \times 100 = 100\%$  compliance

Property XYZ has active certifications totaling 45 in TRACS and regular units billed totaling 100.  
 $45 \div 100 = .45$   
 $.45 \times 100 = 45\%$ , which means the property does not have sufficient tenant data to support a monthly voucher for 100 tenants.

The compliance percentage has been added to the TRACS Internet Voucher Query. This field indicates the level of compliance attained by a particular contract. A list of the certifications used for this calculation may be downloaded using the TRACS Internet Voucher Detail and Summary Reports.

## 9. Who has access to TRACS and its queries and reports?

Owners, management agents, and public housing agencies, including contract administrators, may obtain access to TRACS and its queries and reports to monitor the compliance percentage for their rental assistance contracts.

An authorized user ID is required to access TRACS and its online query functions. Qualified owners, agents and housing agencies can obtain an authorized user ID by calling 888-245-4860 or by visiting the HUD Real Estate Assessment Center (REAC) Web Site at: <http://www.hud.gov/offices/reac/online/reasyst.cfm>

## 10. What is the noncompliance broadcast message posted on the TRACS website?

The noncompliance broadcast message alerts those submitting vouchers—owners, service bureaus, managers, contract administrators—that TRACS will notify them monthly concerning the status of vouchers in their portfolio. The message will inform them of the contract/project number(s) of vouchers that are noncompliant and when possible suspension of subsidy payment will occur.

## 11. What happens to voucher payment requests that are noncompliant?

Noncompliant requests for voucher payments will generate a broadcast notification message that appears as an e-mail on the TRACS system. Owners/agents will be given an opportunity to provide sufficient data for those vouchers that are noncompliant. Those with a high percentage of noncompliant vouchers will be subject to suspension—that is, not receive housing assistance payments from HUD—until the number of tenant certifications in TRACS meets an acceptable level to substantiate payment of the suspended vouchers. Owners/agents have 120 days to respond to a TRACS notice of noncompliance, after which time payments may be subject to suspension. **If payments have been suspended for more than 90 days, the case will be referred to the Enforcement Center for appropriate action.**

## 12. Who can I call for further assistance regarding the Automation Rule?

For further assistance and additional information regarding this Information Sheet, please contact the TRACS help desk at 800-767-7588.



**RHIIP Website**

[www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm](http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm)