

INITIAL & SUBSEQUENT CONTRACT RENEWALS

Properties that have expiring contracts and have NOT renewed them since 1997. In 1997, HUD established new policies for the renewal of Section 8 project-based contracts, under the Multifamily Assisted Housing Reform and Affordability Act, commonly referred to as MAHRA.

Initial Renewal is the first renewal of the project's contract or stage that is processed under the rules established by MAHRA. Properties usually renew their contract for a period of 1–5 years. Longer contracts can be executed with HUD's approval. The property has 6 options under MAHRA to choose from. It's important to understand that the selection made at the initial renewal may impact the future renewal status of the property. For more details, reference Chapter 4 of the Section 8 Guidebook.

Subsequent Contract Renewal is any contract renewal that occurs after the contract has been initially renewed under The Multifamily Assisted Housing Reform and Affordability Act (MAHRA). Subsequent Contract Renewals are generally executed for 1 – 5 years. HUD may consider an owner's request for a longer contract on a case-by-case basis.

Things to Consider when Selecting the Renewal Option that works best for the Property:

- Are the comparable rents equal to 100% of the FMR?
- Did the property receive a REAC score of 60 or above with no uncorrected Exigent Health and Safety (EHS) violations?
- Is the property for profit or being sold to a non – profit?

If the property can say yes to the above three questions, they may want to consider renewing under Mark up To Market. The property would need to justify their status by obtaining a Rent Comparability Study (RCS). Contact your HAP Officer with questions and/or reference *Chapter 3 of the Section 8 Guidebook*.

- If the property is interested in Mark up to Market but does not quite meet the criteria explained above, they may consider applying for discretionary approval, Option 1-B of Mark up to Market. To qualify Option 1-B the property must prove that it serves either a *vulnerable population*, is located in an area with a low *vacancy rate*, or has a high degree of *community support*?

Contact your HAP Officer with questions and/or reference *Chapter 3 of the Section 8 Guidebook*.

- Are the property's current rents at or below the Current Market Rents?

If yes, maybe the property should consider Option 2. *Please note: to renew under option 2, the property must submit a Rent Comparability Study (RCS), which is good for 5 years.* Projects that are not subject to a HUD-held or insured mortgage or a project that has FHA mortgage insurance or is HUD-held with rents at or below comparable market rents are good candidates to renew under Option 2.

Once a property elects to renew under Option 2, they cannot renew, at a later time under Option 4. Contact your HAP Officer with questions and/or reference *Chapter 4 of the Section 8 Renewal Guidebook*.

- Is the property FHA insured, HUD-held, or state financed? And are the property's rents above the comparable rents?

If yes to both questions, the property may want to consider Option 3, OHMAR. Contact your HAP Officer with questions and/or reference *Chapter 5 of the Section 8 Renewal Guidebook*.

- Does the property have an uninsured FHA loan, (i.e. 202, or 515/Rural Housing)?

If yes, you may want to consider renewal under Option 4, Exempt from OHMAR. To be eligible for Option 4, the property must be considered an "exception project." Exception projects include: state or local government financing and/or mortgage insurance that is provided by a unit of state or local government; Projects currently financed under Section 202 of the Housing Act of 1959 or Section 515 of the Housing Act of 1949; SRO Mod Rehab. Please note: "Exception" projects can renew under either Option 2 or Option 4.

The benefit of renewing under Option 4 is that a RCS is not required. For an owner of an FHA insured or HUD-held project to be eligible under Option 4, they must complete a RCS. Contact your HAP Officer with questions and/or reference *Chapter 6 of the Section 8 Renewal Guidebook*.

- Did a 236 or 221 (d)(3) BMIR (*below market interest rate*) property pre-pay their loan early and as a result enter into long-term use agreement with HUD under previously completed portfolio demonstration or preservation?

If yes, HUD may have agreed to certain items that are outlined in the preservation property's approved plan of action. For information on Option 5, reference *Chapter 7 of the Section 8 Renewal Guidebook*, and/or contact the HAP Officer to discuss this issue further.

- Is the owner interested in discontinuing their participation in the Section 8 project based rental assistance program?

For issues relating to Option 6: Opting Out, consult *Chapter 8 of the Section 8 Renewal Guidebook* and contact your HAP Officer to discuss this issue in further detail.

Paperwork Deadlines: The subsequent contract renewal submission is due 120 days prior to the date that the contract expires for HAP contracts that have renewed since 1997. For example, if your contract expires June 30, your documents are due no later than February 28. MHFA will send the property up to four notices regarding their submission deadline.

Late Submissions: Submitting the subsequent contract renewal paperwork late will likely result in a delay in the HAP payment. Please make every effort to provide MHFA with a complete renewal submission in a timely manner. MHFA welcomes early submissions!

Please note: MHFA does not intend this to be an all-inclusive list of federal requirements. Please review the Section 8 Contract Renewal Policy Handbook to gain a full understanding of all requirements.