Section 8
Special Claims

April 2019

Our Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.
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**Special Claims - Purpose**

- To reduce potential financial risk to owners.
  - Limits on security deposits
  - Adherence to waiting list requirements
Special Claims - Purpose

Reminder:

• A claim Will Not exceed 80% of the contract rent

• A property will only get reimbursed for up to 60 days of vacancy

Special Claims – Eligibility

• Minnesota Housing reviews three types of claims for project-based Section 8 contracts:
  • Vacancy
  • Unpaid Rent and
  • Tenant Damages
Special Claims – Eligibility

- If a TRACS Data Analyst is assigned to the property, the special claim will be submitted to Minnesota Housing.

- Any properties that has TRACS files submitted directly to HUD, the special claims package should be sent to HUD as well.
Owners must:

• Take all feasible actions to fill the vacancy.
• Not have rejected applicants (except for good cause, per the Tenant Selection Plan).
• Must have timely TRACS submissions.

Claim submission should occur:

• If unit is re-rented:
  • After submission of Move-In Certification via TRACS.
• If not re-rented:
  • Submit 60 days from unit ready date.
  • Submission prior to this 60 days will result in a pending packet.
Special Claims

• Submit all claims for a property at the same time.
  • Avoid sending in multiple packets for the same property each month.

Special Claims

If a unit qualifies for multiple special claims the claims should be submitted TOGETHER whenever possible:

• Vacancy Loss
• Unpaid Rent
• Tenant Damages
Special Claims

Ensure all HUD forms contain:
- Section 8 Contract number
- Unit number
- Sign, print name and date ALL HUD forms
- Verify the contract rent amount is correct

Special Claims – Vacancy Loss Claims

- A special claim for vacancy loss after rent-up is compensation to the property owner for the loss of rental income of a unit that was previously occupied by an assisted tenant but has been vacant for circumstances beyond the owner’s control.
Special Claims – Vacancy Loss

Required Documents

- Special claims checklist
- HUD-52670-A
- HUD-52671-C
- Signed 50059 from move in
- Documentation that the security deposit was collected in full
- Security deposit disposition form
- Unit reconditioning log
- Wait list OR marketing material

Special Claims – Vacancy Loss

Required Documents - Special claims checklist

Sample form can be found at:
http://www.mnhousing.gov/sites/multifamily/tracs

- Confirm all necessary paperwork is included with the packet.
  - One checklist for each unit with a special claim
  - Note that the checklists for vacancy loss are different than for damages/unpaid rent

Following the checklist ensures all required documents are included and helps avoid unnecessary paperwork
Special Claims – Vacancy Loss

Required Documents

HUD-52670-A, Part 2

“Schedule of Section 8 Special Claims”

One original and one copy listing each claim type for every unit being submitted.
Special Claims – Vacancy Loss

All claims submitted in the package must be listed on ONE HUD 52670-A Part 2.
Special Claims – Vacancy Loss

Required Documents

**HUD-52671-C**

“Section 8 Special Claims for Regular Vacancies”

One original and one copy for each unit

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One HUD-52671-C for EACH unit in the package

**WHISPERING VINES**

**SMITH, MARY**

**MN460000000**

101

<table>
<thead>
<tr>
<th>WHISPERING VINES</th>
<th>Part 1</th>
<th>Part 2</th>
<th>Part 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Tenant move-out: 10/31/18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2.</strong> Date unit ready for rent: 11/17/18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3.</strong> One and rental for: 12/16/19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4.</strong> Date unit vacated: 1/17/20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**5.** No. of days vacant: 60

**6.** Estimated daily rent: $49.06

**7.** Total: $2944.00

**8.** Subtract line 6 from line 7: $2355.00

**9.** Enter amounts from other sources (if applicable): $0

**10.** Subtract line 9 from line 8: $2355.00

**11.** Compare line 10 with line 9. Enter the lesser amount: $2355.00

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Special Claims – Vacancy Loss

Required Documents

• Copy of the HUD 50059 signed at move in
  • Must have signature page
  • Page 2 to reflect the amount of Security Deposit
### Security Deposit Documentation

- **ONE** of the following:
  - Copy of tenant rent ledger card
  - Copy of security deposit receipts
  - Copy of original lease
    - First page
    - Page listing security deposit
    - Signature page

### Special Claims – Vacancy Loss

If security deposit was not collected in full the difference between the collected amount and required amount **MUST** be deducted from vacancy claim.

<table>
<thead>
<tr>
<th>Security deposit required</th>
<th>$500.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security deposit collected</td>
<td>$200.00</td>
</tr>
<tr>
<td>Amount deducted from claim</td>
<td>$300.00</td>
</tr>
</tbody>
</table>
Special Claims – Vacancy Loss

• Security deposit disposition notice provided to the tenant who vacated.
  • Notice should include:
    • Move out date
    • Amount of security deposit collected
    • Amount of security deposit returned
    • All charges withheld from the deposit

Special Claims – Vacancy Loss

Unit Reconditioning Log must include:

1. Move out date.
2. Start and finish date of each step in making the unit ready.
3. Date unit was ready for tenancy. NOTE: this is ONE day AFTER last make ready steps are completed.
   - Common error that results in adjustments
4. Date unit was re-rented (if applicable).

Sample Unit Reconditioning Log can be found at: http://www.mnhousing.gov/sites/multifamily/tracs
Special Claims – Vacancy Loss

Waiting List

• Include the pages that show the new tenant’s name and all applicants contacted for renting the specific unit.

DO NOT SEND THE ENTIRE WAITLIST!

Helpful to highlight or * mark new tenant on waiting list
Special Claims – Vacancy Loss

• **Wait list must:**
  • Reflect all dates of applicant contact, reason for contact and outcomes of those contacts.
    
    *Lack of details on the wait list is a common reason claims are pending or denied*
  • Show applicants in order of date/time received
  • Be legible
    
    *We strongly recommend that the waiting list be in electronic format.*

Sample of electronic format waiting list can be found at: [http://www.mnhousing.gov/sites/multifamily/tracs](http://www.mnhousing.gov/sites/multifamily/tracs)

If the unit is not filled from a waiting list, documentation of marketing efforts must be submitted.
Special Claims – Vacancy Loss

Marketing Materials

• Copies of advertisements
  • Advertisements should show date to confirm they were run during the months of vacancy
  • Property name and correct unit type
  • Invoices for advertisement expenses
  • *Copies of the property’s brochures or print offs from company website alone may not be sufficient.*

Special Claims – Vacancy Loss

• Additional documentation
  • Must supply a reason for the transfer in/out of a unit.

  • Examples: Reasonable accommodation or change in household composition
Special Claims – Vacancy Loss

- Documents being submitted must refer to the unit that the tenant vacated.
- All of the required documents MUST be included in the package.
- If any document is missing the claim(s) will be returned as pending.

Special Claims- Unpaid Rent and Damages

- A special claim for unpaid rent, tenant damages and other charges due under the lease is reimbursement to a property owner for a former tenant's failure to pay the monthly rent, other charges due under the lease, or for damages caused by the negligence or abuse of the former tenant.
Unpaid Rent and Tenant Damages

Required Documents

✓ Special claims checklist – specific to unpaid rent/damages
✓ HUD-52670-A
✓ HUD-52671-A

Required Documents for Unpaid Rent

✓ Checklist
✓ Move in 50059
✓ Documentation of security deposit collected
✓ Copy of certified letter to tenant
✓ Collection Agency documentation
✓ Documentation of other HUD-approved charges
Unpaid Rent and Tenant Damages

In addition to documentation for unpaid rent

Required Documents for Tenant Damages

- Move in/out inspection form
- List of damages
- Breakdown of costs
- Security deposit disposition notices
- Owner/Agent certification that damages are above normal wear and tear

Unpaid Rent and Tenant Damages

Required Documents

*HUD-52670-A, Part 2*

“Schedule of Section 8 Special Claims”

One original and one copy
listing each claim type
for every unit being submitted.
Unpaid Rent and Tenant Damages

Special Claims Schedule

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Type and Amount of Claim</th>
<th>Social Security Number</th>
<th>Description</th>
<th>Rent Due MTD</th>
<th>Tenant Damages</th>
<th>Type of Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whispering Vines</td>
<td>Rent (85.00)</td>
<td>85.00</td>
<td>550.00</td>
<td>1781.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smith, Mary</td>
<td>101</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jones, Harry</td>
<td>201</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ALL claims for ALL Units submitted in the package are listed on ONE 52670-A Part 2.

Required Documents

HUD-52671-A

“Section 8 Special Claims for Unpaid Rent”

One original and one copy for each unit
### Special Claims for Unpaid Rent / Damages

**Project name:** Whispering Vines  
**Tenant name:** Jones, Harry  
**Tenant rental date:** 12/31/2018  
**New Tenant’s move-in date:** 02/01/2019

#### Unpaid Rent and Tenant Damages

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enter the security deposit collected</td>
<td>250.00</td>
</tr>
<tr>
<td>2</td>
<td>Enter the interest earned on the security deposit</td>
<td>15.00</td>
</tr>
<tr>
<td>3</td>
<td>Enter the money you collected for unpaid rents &amp; damages (from tenant, insurance, etc.)</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Total amount collected</td>
<td>265.00</td>
</tr>
</tbody>
</table>

#### HUD's maximum

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Enter monthly contract rent (show-out for Section 8 &amp; PAC units, or the monthly operating rent for Section 203/811 FPH/PH)</td>
<td>900.00</td>
</tr>
<tr>
<td>7</td>
<td>Enter rent charged but unpaid at move-out</td>
<td>350.00</td>
</tr>
<tr>
<td>8</td>
<td>Subtract line 4 from line 5 (equals maximum HUD liability). If this amount is 0 or negligible, stop! You have exceeded HUD's maximum. You cannot file a claim for unpaid rent or damages.</td>
<td>635.00</td>
</tr>
<tr>
<td>9</td>
<td>Enter the lesser of lines 6 &amp; 7. Also, enter in column 3 on HUD-52675A. Part 1.</td>
<td>85.00</td>
</tr>
</tbody>
</table>

#### HUD's remaining liability applicable to damages

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Subtract line 6 from line 8. If this amount is 0 or negligible, stop! You have exceeded HUD's maximum. You cannot file a claim for damages.</td>
<td>550.00</td>
</tr>
<tr>
<td>11</td>
<td>Enter cost to repair damage</td>
<td>10,000.00</td>
</tr>
<tr>
<td>12</td>
<td>Enter the remaining amount of the security deposit (line 4 minus line 7). This cannot be less than 0.</td>
<td>10,000.00</td>
</tr>
<tr>
<td>13</td>
<td>Amount of damage exceeding the remaining security deposit (line 11 minus line 12). This cannot be less than 0.</td>
<td>0.00</td>
</tr>
<tr>
<td>14</td>
<td>Enter the lesser of lines 10 &amp; 13. Also, enter in column 4 on HUD-52675A, Part 3.</td>
<td>550.00</td>
</tr>
</tbody>
</table>

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#### Required Documents

- Checklist documenting all necessary paperwork is included with the packet.
- One checklist for each unit in package.
- This is a separate checklist from the vacancy checklist.

Sample checklist can be found at: [http://www.mnhousing.gov/sites/multifamily/tracs](http://www.mnhousing.gov/sites/multifamily/tracs)
Unpaid Rent and Tenant Damage

Required Documents

• Copy of the signed HUD 50059 completed at move in for the tenant who vacated.

• Documentation that appropriate security deposit was collected
  • ONE of the following:
    • Copy of original lease
    • Copy of tenant rent ledger card
    • Copy of security deposit receipts
## Unpaid Rent and Tenant Damage

### Required Documents

- Security deposit disposition notice sent to the tenant who vacated
- Dated, CERTIFIED letter to former tenant detailing:
  - Charges
  - Demand for payment
  - Advising that failure to pay will result in it being turned over to a collection agency
  - That the tenant has the right to discuss the charges

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## Unpaid Rent and Tenant Damage

### Required Documents

- Documentation that debt was turned over to a collection agency
  - The collection agency attempted to collect the debt (i.e. the agency's first demand letter)
- Documentation of other HUD-approved charges, as applicable

*Note: Legal fees, collection agency fees, and utility bills are not allowable “other charges”*
Unpaid Rent and Tenant Damages

In addition, tenant damage claims must also include the following:

1. Copy of the signed and dated Move In/Move Out Inspection
2. Owner/Agent certification that damage is not due to normal wear and tear
3. Owner/Agent must determine the useful life expectancy of replaceable items

4. Itemized list of damages.
5. Breakdown of cost to repair damage, which may include:
   • Invoices
   • Receipts
   • Copies of work orders
   • Maintenance records
Special Claims

Timelines and Notification of Status

Special Claims Timelines

- HUD timelines to note
  - Minnesota Housing has 30 days to review
  - O/A have 30 days to resubmit materials for pending packets
  - O/A have 90 days to add approved/adjusted claim to their voucher
  - Claims must be fully processed within 180 days of unit ready date
**Special Claims Timelines**

- Claims must be submitted no later than 180 days from the date the unit is ready for occupancy.

  **EXAMPLE:**

  Move out date: 9/30/2018
  Unit ready date: 11/1/2018
  11/1/18 plus 180 days: 04/29/2019
  Complete packet must be received by 4/29/19

- Do not wait until the 179th day to submit your special claims!
Claims Status Notifications

Claims received at Minnesota Housing are:
- Date stamped on the date received
- Claims are reviewed within 30 days of receipt by Minnesota Housing

Claims Status Notifications

- Claim Statuses
  - Approved - with Claim ID number(s)
  - Adjusted - (including the reason for adjustment and corrected amount) with Claim ID number(s)
  - Denied - including the reason for denial
Claims Status Notifications

Approved/Adjusted claims

• Owner/Agent will receive notice in writing
  • Confirmation letter
  • HUD forms that will include:
    • Minnesota Housing staff signature
    • Claim number(s)
  • Deadline for submitting request for payment on voucher
• Submit on next month’s voucher

Claims Status Notifications

Pending claims:

• Owner/Agent will receive notice in writing
  • Written notification will state:
    • What documentation is missing
    • Deadline in which package MUST be returned to Minnesota Housing
Claims Status Notifications

• Pending claims:
  • Pending claims (full packets) are returned to the owner/agent
    • MUST be returned to Minnesota Housing within 30 days AND MUST remain with the 180 days from unit ready date

*When resubmitting a pending packet DO NOT redo the HUD forms – resend the entire original packet*

Claims Status Notifications

• Pending packages MUST remain within the **180 day timeframe**, including all resubmissions

• Packets can be returned multiple times but must still remain within this window or they will be denied.

*HUD’s 180 day completion timeframe is not extended for any reason.*
Claims Status Notifications

• Denied claims:
  • Owner/Agent will receive notice in writing
    • Written notification will state:
      • The reason for denial
      • Information on how to appeal the denied claim

Claims Status Notifications

The claim will automatically be DENIED:
• If pending package is not returned complete within stated 30-day timeframe.
• If submitted or resubmitted outside of the 180 day timeframe allowed by HUD.
• Approved claim is not reported on your voucher within 90 days of approval.
Claims Status Notifications

To ensure timely payment...

• When notification of an approved claim is received by the property:
  • Post to the next month’s voucher
  • Use ALL assigned Claim ID numbers
    • Remember that different claim types will have different claim numbers.

For questions on Special Claims please contact the TRACS Data Analyst assigned to your property.

Special Claims information, and fillable forms can be found at:
http://www.mnhousing.gov/sites/multifamily/tracs

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