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Multifamily Housing Partners,

Rural Development

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Rural Development is continuing to receive questions on COVID-19 (Coronavirus) related issues as they affect Multifamily housing properties across the country, and would like to provide additional guidance. Your assigned Servicing Official should remain your primary contact for questions, but the below consolidated frequently-asked questions may assist during this challenging time.

To see answers to Multifamily's previous FAQ, issued on April 5, please visit the Rural Development COVID-19 Response website - <https://www.rd.usda.gov/coronavirus>

Q1: The CARES Act provides for Federal Pandemic Unemployment payments. Should these amounts be included in tenants' income? What about hazard pay or other income increases?

A: Traditional unemployment payments are eligible income and should be included in income calculations.

Federal Pandemic Unemployment benefits, however, include an additional \$600 per week in addition to traditional unemployment payments for individuals who have lost jobs due to COVID-19. These emergency payments will only continue for four months, and are temporary. Temporary income is excluded in 24 CFR § 5.609(c)9, so these emergency payments should be **excluded** in income calculations.

Tenants who are receiving hazard pay or other additional income due to COVID-19 should contact property management to review whether the income increase is temporary or expected to continue past the immediate COVID-19 pandemic. If the additional income is temporary in nature, it can be excluded from income calculations and no interim recertification is necessary. Management should document the tenant file so that any discrepancies can be reconciled at the tenant's next recertification.

Q2: If tenants are over-income upon recertification, should they be given a notice to vacate during the COVID-19 emergency?

A. Tenants whose annual recertification shows them to be over-income for the property that they currently occupy may remain in their unit under certain circumstances, shown in HB 2-3560, Section 6.30. A borrower may permit an ineligible tenant to stay if either:

- i. The waiting list for the specific unit type has no eligible tenants; or
- ii. The required time period for vacating the unit would create a hardship on the household.

During the COVID-19 pandemic, vacating the unit within 30 days may create a hardship on the household, so the second exemption applies and management agents should not require tenants to vacate if they are over income. Requiring ineligible tenants to move is

not specifically prohibited in the CARES Act, but current RD guidance allows tenants to stay until local/state guidance suggests it is safe for them to relocate.

Q3: If an applicant declines to move in due to social distancing or COVID-19 concerns, do they lose their spot on the waiting list?

A. If an applicant declines to move in due to social distancing and COVID-19 concerns, management may either hold the unit until the national emergency has ended, or move to the next applicant on the waiting list. The applicant declining to move should not be penalized or removed, but should be offered the next appropriate-sized unit when the emergency has ended.

We encourage management to seek out creative solutions, such as virtual or 'no-touch' showings, digital signatures, and contactless move-in procedures to continue to provide housing while complying with social distancing recommendations.

Q4: Is there further guidance on Section 514/515 Forbearance requests?

A: The 2020 CARES Act allows Multifamily borrowers experiencing a financial hardship related to COVID-19 to request forbearance for up to 90 days. Guidance on how to request this forbearance was distributed on April 2, 2020, and we encourage you to contact your Servicing Official with questions. The following are responses to common forbearance questions:

- This a streamlined workout plan created to address the COVID-19 emergency and expected to be widely used. As such, the negative penalties associated with a traditional workout plan do not apply to projects with a COVID-19 relief agreement. Borrowers may still collect RTO and are not required to submit quarterly reports.
- Missed payments will be held in deferral until the loan matures. They will be charged interest at note rate, subsidized down to 1% if the interest credit agreement is still in effect.
- Agreements do not need to start April 1, 2020. They may begin May 1 or June 1 as long as the National Emergency is still in effect.
- Forbearance requests can be processed retroactively back to April 1, or a forbearance request may be modified later to include reserve deferrals if they were not originally requested.

Q5: Does RD need to be notified if an owner or management agent is applying for a Payroll Protection Program (PPP) Loan under the CARES Act? What about other SBA loan programs?

A: If an SBA loan requires a Section 514 or Section 515 property to be used as collateral, it must meet the standard in Handbook 3560-3, Chapter 8, Section 1 on Junior Liens and should follow the same approval procedure. If a PPP or other loan does not require property collateralization, RD does not need to concur on an application for a PPP loan. However, owners and agents should be aware that PPP repayment is not an eligible property expense.

For a Section 538 property, the Agency must review the terms and conditions of any secondary financing or funding of projects, including loans, capital grants or rental assistance.

Q6: Earlier guidance referred to Section 515 only, does RD's guidance apply to Section 514 as well?

A. Yes, all COVID-19 guidance issued for Section 515 also applies to Section 514. Section 538 does require separate guidance in most cases.

We would like to remind all Section 514, Section 515, and Section 538 owners and management agents that the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub.L. 116-136) prohibits evictions due to non-payment of rent for the next 120 days, and does not allow late fees or otherwise penalize tenants who are unable to pay rent. This eviction prohibition became effective upon enactment of the CARES Act (March 27, 2020) and is effective for 120 days. We strongly encourage owners and agents to notify tenants of this provision as well as their ability to request an interim recertification if they receive Rental Assistance and their income has decreased. Notices and postings should be translated to other languages whenever possible.

We continue to appreciate your partnership in providing quality, affordable rural housing. Please do not hesitate to reach out to your local RD staff if you have additional questions.

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