

Monday,
October 3,
2022

HUD Issues Notice

NOTICE H
2022-05

5 - Year Section 202 PRAC Renewals

PRAC Contracts Extending from 1 to 5 - Year Terms

HUD's Office of Multifamily Housing Programs published a Notice that they will be increasing the standard Section 202 Project Rental Assistance Contracts (PRAC) renewal term to five-years from the one-year terms authorized in the past. This change will enable a more efficient annual funding process and reduce paperwork burdens for both owners and HUD.

All owners and management agents with a PRAC contract – both Section 202 and Section 811 – should review the Notice for new information on processing of mid-year rent adjustments, shifting future expiration dates to the end of the month, and limited waivers for annual budget submission requirements. The Notice also includes an updated version of the PRAC renewal amendment, which will be used for renewal of all PRACs expiring January 1, 2023 or later.

Execution of five-year Section 202 contracts will be phased in over a three-year period, with a portion of the 202 PRAC portfolio switching to a five-year contract in 2023, 2024, and 2025. Section 811 PRACs will remain on annual contracts. The year in which a five-year contract will first be issued to a property is determined by the last digit of the Capital Advance Project Number. (Please see the notice for further details.) Conversion of Section 202 PRACs to five-year renewal terms is the first step in a broader plan for streamlining PRAC renewal and rent adjustment processes.

The notice clarifies HUD's expectations on the annual timing for owners seeking adjustments to PRAC contract rents and when exceptions may be made. It also explains allowable changes to contract effective dates, which are limited to minor adjustments in duration that align expiration date with the end of the month, and discusses limited waivers for annual budget submission requirements.



Robert C. Weaver Federal Building, the United States Department of Housing and Urban Development headquarters. Washington, D.C.

Funding of PRAC Renewals

HUD will continue to provide funding to all PRACs, including those under one-year or multiyear terms, on an annual basis, in increments estimated to address subsidy needs for a 12-month period. Continuation of payments under multi-year contracts will be subject to the availability of annual appropriations. The calculation of new funding increments will consider undisbursed balances from prior year allocations to the contract.



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Paulhus and Associates is a national leader in Housing and Urban Development (HUD) services. We provide consulting, compliance, and training services to over 200 properties nationwide, including project-based multifamily properties, namely Section 8 properties, 202/8 properties, 202 PACs, PRAC 811, and PRAC 202s. Through our work, we ensure our clients' success in complying with HUD requirements and guidelines.

Adjustments to Operating Expenses/Contract Rents

For projects under a multi-year 202 PRAC, and at the request of the owner, HUD will consider budget-based rent adjustments to reflect operating expense changes in the years following their renewal. Budget-based rent adjustments will be effective on the 1st day of the month in which the contract anniversary date falls. Rent adjustment requests should be submitted to HUD 120-days in advance of the contract anniversary