

this section, the receiving PHA will enter into a new CoP with the FSS family for the term remaining on the contract with the initial PHA. The initial PHA will terminate its CoP with the family.

(2) If the FSS family remains in the FSS program of the initial PHA, pursuant to this section, the CoP executed by the initial PHA will remain as the contract in place.

(g) *New FSS enrollment into the receiving PHA's FSS program*—(1) *Billing*. If the receiving PHA bills the initial PHA, the receiving PHA may, consistent with the receiving PHA's FSS enrollment policies, enroll a family that was not an FSS participant at the initial PHA into its FSS program, provided that the initial PHA manages an FSS program and agrees to such enrollment. If the receiving PHA bills the initial PHA, but the initial PHA does not manage an FSS program, the family may not enroll in the receiving PHA's FSS program.

(2) *Absorption*. If the receiving PHA absorbs the family into its HCV program, the receiving PHA may, consistent with the receiving PHA's FSS enrollment policies, enroll a family that was not an FSS participant at the initial PHA into its FSS program.

Subpart D—Reporting

§ 984.401 Reporting.

Each PHA or owner that carries out an FSS program shall submit to HUD, in the form prescribed by HUD, a report regarding its FSS program. The report shall include the following information:

(a) A description of the activities carried out under the program;

(b) A description of the effectiveness of the program in assisting families to achieve economic independence and self-sufficiency, including the number of families enrolled and graduated and the number of established escrow accounts and positive escrow balances;

(c) A description of the effectiveness of the program in coordinating resources of communities to assist families to achieve economic independence and self-sufficiency; and

(d) Any recommendations by the PHA or owner or the appropriate local

Program Coordinating Committee for legislative or administrative action that would improve the FSS program and ensure the effectiveness of the program.

PART 985—SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) AND SMALL RURAL PHA ASSESSMENTS

Subpart A—General

Sec.

985.1 Purpose and applicability.

985.2 Definitions.

985.3 Indicators, HUD verification methods and ratings.

Subpart B—Program Operation

985.101 SEMAP certification.

985.102 SEMAP profile.

985.103 SEMAP score and overall performance rating.

985.104 PHA right of appeal of overall rating.

985.105 HUD SEMAP responsibilities.

985.106 Required actions for SEMAP deficiencies.

985.107 Required actions for PHA with troubled performance rating.

985.108 SEMAP records.

985.109 Default under the Annual Contributions Contract (ACC).

Subpart C—Physical Assessment Component [Reserved]

Subpart D—Small Rural PHA Assessment

Sec.

985.201 Applicability.

985.203 Assessment indicators and HUD verification methods.

985.205 Determination of assessment rating.

985.207 Frequency of assessments.

985.209 Troubled small rural PHAs.

985.211 Small rural PHAs assessment records.

AUTHORITY: 42 U.S.C. 1437a, 1437c, 1437f, 1437z-10, and 3535(d).

SOURCE: 63 FR 48555, Sept. 10, 1998, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 985 appear at 64 FR 67983, Dec. 3, 1999.

Subpart A—General

§ 985.1 Purpose and applicability.

(a) *Purpose*. The Section 8 Management Assessment Program (SEMAP) is designed to assess whether the Section

§ 985.2

24 CFR Ch. IX (4–1–25 Edition)

8 tenant-based assistance programs operate to help eligible families afford decent rental units at the correct subsidy cost. SEMAP also establishes a system for HUD to measure PHA performance in key Section 8 program areas and to assign performance ratings. SEMAP provides procedures for HUD to identify PHA management capabilities and deficiencies in order to target monitoring and program assistance more effectively. PHAs can use the SEMAP performance analysis to assess and improve their own program operations.

(b) *Applicability.* This rule applies to PHA administration of the tenant-based Section 8 rental program (part 982 of this chapter), the project-based voucher program (part 983 of this chapter) to the extent that PBV family and unit data are reported and measured under the stated HUD verification method, and enrollment levels and contributions to escrow accounts for Section 8 participants under the family self-sufficiency program (FSS) (part 984 of this chapter).

(c) *Small rural PHA assessments.* Subpart D of this part covers the HCV and PBV assessment for a small rural PHA as defined in §902.101 of this chapter. Section 985.3 and subparts B and C of this part do not apply to small rural PHAs.

[63 FR 48555, Sept. 10, 1998, as amended at 64 FR 40497, July 26, 1999; 88 FR 30505, May 11, 2023]

§ 985.2 Definitions.

(a) The terms *Department*, *Fair Market Rent*, *HUD*, *Secretary*, and *Section 8*, as used in this part, are defined in 24 CFR 5.100.

(b) The definitions in 24 CFR 982.4 apply to this part. As used in this part:

Confirmatory review means an on site review performed by HUD to verify the management performance of an PHA.

Corrective action plan means a HUD-required written plan that addresses PHA program management deficiencies or findings identified by HUD through remote monitoring or on-site review, and that will bring the PHA to an acceptable level of performance.

MTCS means Multifamily Tenant Characteristics System. MTCS is the Department's national database on participants and rental units in the

Section 8 rental certificate, rental voucher, and moderate rehabilitation programs and in the Public and Indian Housing programs.

PHA means a Housing Agency.

PHA's quality control sample means an annual sample of files or records drawn in an unbiased manner and reviewed by an PHA supervisor (or by another qualified person other than the person who performed the original work) to determine if the work documented in the files or records conforms to program requirements. The minimum size of the PHA's quality control sample is as follows:

Universe	Minimum number of files or records to be sampled
50 or less	5.
51–600	5 plus 1 for each 50 (or part of 50) over 50.
601–2000	16 plus 1 for each 100 (or part of 100) over 600.
Over 2000	30 plus 1 for each 200 (or part of 200) over 2000.

Where the universe is: the number of admissions in the last year for each of the two quality control samples under the SEMAP indicator at §985.3(a) Selection from the Waiting List; the number of families assisted for the SEMAP indicators at §985.3(b) Reasonable Rent, and 985.3(c) Determination of Adjusted Income; the number of units under HAP contract during the last completed PHA fiscal year for the SEMAP indicator at §985.3(e) HQS Quality Control Inspections; and the number of failed HQS inspections in the last year for the SEMAP indicator at §985.3(f) HQS Enforcement.

Performance indicator means a standard set for a key area of Section 8 program management against which the PHA's performance is measured to show whether the PHA administers the program properly and effectively. (See §985.3.)

SEMAP certification means the PHA's annual certification to HUD, on the form prescribed by HUD, concerning its performance in key Section 8 program areas.

SEMAP deficiency means any rating of 0 points on a SEMAP performance indicator.

SEMAP profile means a summary prepared by HUD of an PHA's ratings on each SEMAP indicator, its overall

SEMAP score, and its overall performance rating (high performer, standard, troubled).

[63 FR 48555, Sept. 10, 1998, as amended at 64 FR 40497, July 26, 1999]

§ 985.3 Indicators, HUD verification methods and ratings.

This section states the performance indicators that are used to assess PHA Section 8 management. HUD will use the verification method identified for each indicator in reviewing the accuracy of an PHA's annual SEMAP certification. HUD will prepare a SEMAP profile for each PHA and will assign a rating for each indicator as shown. If the HUD verification method for the indicator relies on data in MTCS and HUD determines those data are insufficient to verify the PHA's certification on the indicator due to the PHA's failure to adequately report family data, HUD will assign a zero rating for the indicator. The method for selecting the PHA's quality control sample under paragraphs (a), (b), (c) and (f) of this section must leave a clear audit trail that can be used to verify that the PHA's quality control sample was drawn in an unbiased manner.

A PHA that expends less than its Federal award expenditure threshold in 2 CFR Subpart F, and whose Section 8 programs are not audited by an independent auditor (IA), will not be rated under the SEMAP indicators in paragraphs (a) through (g) of this section for which the annual IA audit report is a HUD verification method.

(a) *Selection from the waiting list.* (1) This indicator shows whether the PHA has written policies in its administrative plan for selecting applicants from the waiting list and whether the PHA follows these policies when selecting applicants for admission from the waiting list. (24 CFR 982.54(d)(1) and 982.204(a))

(2) HUD verification method: The independent auditor (IA) annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that:

(A) The PHA has written waiting list selection policies in its administrative plan and,

(B) Based on the PHA's quality control samples, drawn separately for applicants reaching the top of the waiting list and for admissions, documentation shows that at least 98 percent of the families in both samples of applicants and admissions were selected from the waiting list for admission in accordance with these policies and met the selection criteria that determined their places on the waiting list and their order of selection. 15 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (a)(3)(i) of this section. 0 points.

(b) *Reasonable rent.* (1) This indicator shows whether the PHA has and implements a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based on current rents for comparable unassisted units: At the time of initial leasing; if there is any increase in the rent to owner; at the HAP contract anniversary if there is a 10 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA's method must take into consideration the location, size, type, quality and age of the units, and the amenities, housing services, and maintenance and utilities provided by the owners in determining comparability and the reasonable rent. (24 CFR 982.4, 24 CFR 982.54(d)(15), 982.158(f)(7), 982.507, and 983.303)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that:

(A) The PHA has a reasonable written method to determine reasonable rent which considers location, size, type, quality and age of the units and the amenities, housing services, and maintenance and utilities provided by the owners; and

(B) Based on the PHA's quality control sample of tenant files, the PHA

§ 985.3

24 CFR Ch. IX (4-1-25 Edition)

follows its written method to determine reasonable rent and has documented its determination that the rent to owner is reasonable in accordance with §§ 982.507 and 983.303 of this chapter, as applicable for at least 98 percent of units sampled at the time of initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 10 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 20 points.

(ii) The PHA's SEMAP certification includes the statements in paragraph (b)(3)(i) of this section, except that the PHA documents its determination of reasonable rent for only 80 to 97 percent of units sampled at initial leasing, if there is any increase in the rent to owner, and at the HAP contract anniversary if there is a 10 percent decrease in the published FMR in effect 60 days before the HAP contract anniversary. 15 points.

(iii) The PHA's SEMAP certification does not support the statements in either paragraph (b)(3)(i) or (b)(3)(ii) of this section. 0 points.

(c) *Determination of adjusted income.* (1) This indicator shows whether, at the time of admission and annual reexamination, the PHA verifies and correctly determines adjusted annual income for each assisted family and, where the family is responsible for utilities under the lease, the PHA uses the appropriate utility allowances for the unit leased in determining the gross rent. (24 CFR part 5, subpart F and 24 CFR 982.516)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that, based on the PHA's quality control sample of tenant files, for at least 90 percent of families:

(A) The PHA obtains third party verification, as appropriate, of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income, and uses the verified information in determining adjusted income, and/or documents tenant files to

show why third party verification was not available;

(B) The PHA properly attributes and calculates allowances for any medical, child care, and/or disability assistance expenses; and

(C) The PHA uses the appropriate utility allowances to determine gross rent for the unit leased. 20 points.

(ii) The PHA's SEMAP certification includes the statements in paragraph (c)(3)(i) of this section, except that the PHA obtains and uses independent verification of income, properly attributes allowances, and uses the appropriate utility allowances for only 80 to 89 percent of families. 15 points.

(iii) The PHA's SEMAP certification does not support the statements in either paragraph (c)(3)(i) or (c)(3)(ii) of this section. 0 points.

(d) *Utility Allowance Schedule.* (1) This indicator shows whether the PHA maintains an up-to-date utility allowance schedule. (24 CFR 982.517)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that the PHA reviewed utility rate data within the last 12 months, and adjusted its utility allowance schedule if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised. 5 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (d)(3)(i) of this section. 0 points.

(e) *HQS quality control inspections.* (1) This indicator shows whether an PHA supervisor or other qualified person reinspects a sample of units under contract during the PHA fiscal year, which meets the minimum sample size requirements specified at § 985.2 under PHA's quality control sample, for quality control of HQS inspections. The PHA supervisor's reinspected sample is to be drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding reinspection) and is to be drawn to represent a cross section of neighborhoods and the work

of a cross section of inspectors. (24 CFR 982.405(b))

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that an PHA supervisor or other qualified person performed quality control HQS reinspections during the PHA fiscal year for a sample of units under contract which meets the minimum sample size requirements specified in §985.2 under PHA's quality control sample. The PHA's SEMAP certification also states that the reinspected sample was drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding the quality control reinspection) and was drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors. 5 points.

(ii) The PHA's SEMAP certification does not support the statements in paragraph (e)(3)(i) of this section. 0 points.

(f) *HQS enforcement.* (1) This indicator shows whether, following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or any PHA-approved extension. In addition, if HQS deficiencies are not corrected timely, the indicator shows whether the PHA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period or terminates the HAP contract or, for family-caused defects, takes prompt and vigorous action to enforce the family obligations. (24 CFR 982.404)

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that the PHA's quality control sample of case files with failed HQS inspections shows that, for all cases sampled, any cited life-threat-

ening HQS deficiencies were corrected within 24 hours from the inspection and, for at least 98 percent of cases sampled, all other cited HQS deficiencies were corrected within no more than 30 calendar days from the inspection or any PHA-approved extension, or, if any life-threatening HQS deficiencies were not corrected within 24 hours and all other HQS deficiencies were not corrected within 30 calendar days or any PHA-approved extension, the PHA stopped (abated) housing assistance payments beginning no later than the first of the month following the correction period, or took prompt and vigorous action to enforce family obligations. 10 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (f)(3)(i) of this section. 0 points.

(g) *Expanding housing opportunities.*

(1) This indicator applies only to PHAs with jurisdiction in metropolitan FMR areas. The indicator shows whether the PHA has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher holders of the full range of areas where they may lease units both inside and outside the PHA's jurisdiction; and supplies a list of landlords or other parties who are willing to lease units or help families find units, including units outside areas of poverty or minority concentration. (24 CFR 982.54(d)(5), 982.301(a) and 982.301(b)(4) and 982.301(b)(12))

(2) HUD verification method: The IA annual audit report covering the PHA fiscal year entered on the SEMAP certification and on-site confirmatory review if performed.

(3) Rating: (i) The PHA's SEMAP certification states that:

(A) The PHA has a written policy in its administrative plan which includes actions the PHA will take to encourage participation by owners of units located outside areas of poverty or minority concentration, and which clearly delineates areas in its jurisdiction that the PHA considers areas of poverty or minority concentration;

(B) PHA documentation shows that the PHA has taken actions indicated in

§ 985.3

24 CFR Ch. IX (4-1-25 Edition)

its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration;

(C) The PHA has prepared maps that show various areas with housing opportunities outside areas of poverty or minority concentration both within its jurisdiction and neighboring its jurisdiction; has assembled information about the characteristics of those areas which may include information about job opportunities, schools, transportation and other services in these areas; and can demonstrate that it uses the maps and area characteristics information when briefing rental voucher holders about the full range of areas where they may look for housing;

(D) The PHA's information packet for rental voucher holders contains either a list of owners who are willing to lease (or properties available for lease) under the rental voucher program; or a current list of other organizations that will help families find units and the PHA can demonstrate that the list(s) includes properties or organizations that operate outside areas of poverty or minority concentration;

(E) The PHA's information packet includes an explanation of how portability works and includes a list of portability contact persons for neighboring housing agencies, with the name, address and telephone number of each, for use by families who move under portability; and

(F) PHA documentation shows that the PHA has analyzed whether rental voucher holders have experienced difficulties in finding housing outside areas of poverty or minority concentration and, if such difficulties have been found, PHA documentation shows that the PHA has analyzed whether it is appropriate to seek approval of exception payment standard amounts in any part of its jurisdiction and has sought HUD approval of exception payment standard amounts when necessary. 5 points.

(ii) The PHA's SEMAP certification does not support the statement in paragraph (g)(3)(i) of this section. 0 points.

(h) *Deconcentration bonus.* (1) Submission of deconcentration data in the HUD-prescribed format for this indi-

cator is mandatory for a PHA using one or more payment standard amount(s) that exceed(s) 100 percent of the published FMR set at the 50th percentile rent to provide access to a broad range of housing opportunities throughout a metropolitan area in accordance with § 888.113(c) of this title, starting with the second full PHA fiscal year following initial use of payment standard amounts based on the FMR set at the 50th percentile rent. Submission of deconcentration data for this indicator is optional for all other PHAs. Additional SEMAP points are available to PHAs that have jurisdiction in metropolitan FMR areas and that choose to submit with their SEMAP certifications certain data, in a HUD-prescribed format, on the percent of their tenant-based Section 8 families with children who live in, and who have moved during the PHA fiscal year to, low poverty census tracts in the PHA's principal operating area. For purposes of this indicator, the PHA's principal operating area is the geographic entity for which the Census tabulates data that most closely matches the PHA's geographic jurisdiction under State or local law (e.g., city, county, metropolitan statistical area) as determined by the PHA, subject to HUD review. A low poverty census tract is defined as a census tract where the poverty rate of the tract is at or below 10 percent, or at or below the overall poverty rate for the principal operating area of the PHA, whichever is greater. The PHA determines the overall poverty rate for its principal operating area using the most recent available decennial Census data. Family data used for the PHA's analysis must be the same information as reported to MTCS for the PHA's tenant-based Section 8 families with children. If HUD determines that the quantity of MTCS data is insufficient for adequate analysis, HUD will not award points under this bonus indicator. Bonus points will be awarded if:

(i) Half or more of all Section 8 families with children assisted by the PHA in its principal operating area at the end of the last completed PHA fiscal year reside in low poverty census tracts;

(ii) The percent of Section 8 mover families with children who moved to low poverty census tracts in the PHA's principal operating area during the last completed PHA fiscal year is at least 2 percentage points higher than the percent of all Section 8 families with children who reside in low poverty census tracts at the end of the last completed PHA fiscal year; or

(iii) The percent of Section 8 families with children who moved to low-poverty census tracts in the PHA's principal operating area over the last two completed PHA fiscal years is at least 2 percentage points higher than the percent of all Section 8 families with children who resided in low poverty census tracts at the end of the second to last completed PHA fiscal year.

(iv) State and regional PHAs that provide Section 8 rental assistance in more than one metropolitan area within a State or region make these determinations separately for each metropolitan area or portion of a metropolitan area where the PHA has assisted at least 20 Section 8 families with children in the last completed PHA fiscal year.

(2) HUD verification methods: PHA data submitted for the deconcentration bonus, the IA annual audit report covering the PHA fiscal year entered on the SEMAP certification, and on-site confirmatory review if performed.

(3) Rating: (i) The data submitted by the PHA for the deconcentration bonus shows that the PHA met the requirements for bonus points in paragraph (h)(1)(i), (ii) or (iii) of this section. 5 points.

(ii) The data submitted by the PHA for the deconcentration bonus does not show that the PHA met the requirements for bonus points in paragraph (h)(1)(i), (ii) or (iii) of this section. 0 points.

(i) *Payment standards.* (1) This indicator shows whether the PHA has adopted payment standard schedule(s) in accordance with § 982.503.

(2) HUD verification method: PHA data submitted on the SEMAP certification form concerning payment standards.

(3) Rating:

(i) The PHA's voucher program payment standard schedule contains pay-

ment standards set in accordance with 24 CFR 982.503. 5 points.

(ii) The PHA's voucher program payment standard schedule contains payment standards that were not set in accordance with § 982.503. 0 points.

(j) *Annual reexaminations.* (1) This indicator shows whether the PHA completes a reexamination for each participating family at least every 12 months. (24 CFR 5.617).

(2) HUD verification method: MTCS report—Shows percent of reexaminations that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the PHA's electronic reporting of the annual reexamination on Form HUD-50058 and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual reexaminations is permitted.

(3) Rating:

(i) Fewer than 5 percent of all PHA reexaminations are more than 2 months overdue. 10 points.

(ii) 5 to 10 percent of all PHA reexaminations are more than 2 months overdue. 5 points.

(iii) More than 10 percent of all PHA reexaminations are more than 2 months overdue. 0 points.

(k) *Correct tenant rent calculations.* (1) This indicator shows whether the PHA correctly calculates the family's share of the rent to owner in the rental voucher program. (24 CFR part 982, subpart K).

(2) HUD verification method: MTCS report—Shows percent of tenant rent and family's share of the rent to owner calculations that are incorrect based on data sent to HUD by the PHA on Forms HUD-50058. The MTCS data used for verification cover only voucher program tenancies, and do not include rent calculation discrepancies for manufactured home owner rentals of manufactured home spaces for proration of assistance under the noncitizen rule.

(3) Ratings:

(i) 2 percent or fewer of PHA tenant rent and family's share of the rent to owner calculations are incorrect. 5 points.

(ii) More than 2 percent of PHA tenant rent and family's share of the rent

§ 985.3

24 CFR Ch. IX (4-1-25 Edition)

to owner calculations are incorrect. 0 points.

(1) *Initial unit inspections.* (1) This indicator shows whether newly leased units pass HQS inspection within the time period required. This includes both initial and turnover inspections for the PBV program. (24 CFR 982.305 and 983.103(b) through (d)).

(2) HUD verification method: MTCS report—Shows percent of newly leased units where the beginning date of the assistance contract is before the date the unit passed the initial unit inspection or, if the PHA employed the PHA initial inspection option for non-life-threatening deficiencies or alternative inspections, the timing requirements for the applicable PHA initial inspection option.

(3) Rating:

(i) 98 to 100 percent of newly leased units passed HQS inspection within the time period required. 5 points.

(ii) Fewer than 98 percent of newly leased units passed HQS inspection within the time period required. 0 points.

(m) *Periodic HQS inspections.* (1) This indicator shows whether the PHA has met its periodic inspection requirement for its units under contract (24 CFR 982.405 and 983.103(e)).

(2) HUD verification method: MTCS report—Shows percent of HQS inspections that are more than 2 months overdue. The 2-month allowance is provided only to accommodate a possible lag in the PHA's electronic reporting of the annual HQS inspection on Form HUD-50058, and to allow the processing of the data into MTCS. The 2-month allowance provided here for rating purposes does not mean that any delay in completing annual HQS inspections is permitted.

(3) Rating:

(i) Fewer than 5 percent of periodic HQS inspections of units under contract are more than 2 months overdue. 10 points.

(ii) 5 to 10 percent of all periodic HQS inspections of units under contract are more than 2 months overdue. 5 points.

(iii) More than 10 percent of all periodic HQS inspections of units under contract are more than 2 months overdue. 0 points.

(n) *Lease-up.* The provisions of this paragraph (n) apply to the first SEMAP certification due after July 2, 2012.

(1) *The indicator:* This indicator shows whether the PHA enters into HAP contracts for the number of the PHA's baseline voucher units (units that are contracted under a Consolidated ACC) for the calendar year that ends on or before the PHA's fiscal year or whether the PHA has expended its allocated budget authority for the same calendar year. Allocated budget authority will be based upon the PHA's eligibility, which includes budget authority obligated for the calendar year and any portion of HAP reserves attributable to the budget authority that was offset from reserves during the calendar year. Litigation units and funding will be excluded from this indicator, and new increments will be excluded for 12 months from the effective date of the increment on the Consolidated ACC. Units assisted under the voucher homeownership option and units occupied under a project-based HAP contract are included in the measurement of this indicator.

(2) *HUD verification method:* This method is based on the percent of units leased under a tenant-based or project-based HAP contract or occupied by homeowners under the voucher homeownership option during the calendar year that ends on or before the assessed PHA's fiscal year, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA's fiscal year. The percent of units leased is determined by taking unit months leased under a HAP contract and unit months occupied by homeowners under the voucher homeownership option, as shown in HUD systems for the calendar year that ends on or before the assessed PHA fiscal year, and dividing that number by the number of unit months available for leasing based on the number of baseline units available at the beginning of the calendar year.

(3) *Rating:* (i) The percent of units leased or occupied by homeowners under the voucher homeownership option, or the percent of allocated budget authority expended during the calendar

year that ends on or before the assessed PHA fiscal year was 98 percent or more. (20 points.)

(ii) The percent of units leased or occupied by homeowners under the voucher homeownership option, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA fiscal year was 95 to 97 percent. (15 points.)

(iii) The percent of units leased or occupied by homeowners under the voucher homeownership option, or the percent of allocated budget authority expended during the calendar year that ends on or before the assessed PHA fiscal year was less than 95 percent. (0 points.)

(o) *Family self-sufficiency (FSS) enrollment and escrow accounts.* (1) This indicator applies only to PHAs with mandatory FSS programs. The indicator consists of 2 components which show whether the PHA has enrolled families in the FSS program as required, and the extent of the PHA's progress in supporting FSS by measuring the percent of current FSS participants with FSS progress reports entered in MTCS that have had increases in earned income which resulted in escrow account balances. (24 CFR 984.105 and 984.305)

(2) HUD verification method: MTCS report—Shows number of families currently enrolled in FSS. This number is divided by the number of mandatory FSS slots, as determined under § 984.105 of this chapter. An MTCS report also shows the percent of FSS families with FSS progress reports who have escrow account balances. HUD also uses information reported on the SEMAP certification by initial PHAs concerning FSS families enrolled in their FSS programs but who have moved under portability to the jurisdiction of another PHA.

(3) Rating:

(i) The PHA has filled 80 percent or more of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances. 10 points.

(ii) The PHA has filled 60 to 79 percent of its mandatory FSS slots and 30 percent or more of FSS families have escrow account balances. 8 points.

(iii) The PHA has filled 80 percent or more of its mandatory FSS slots, but

fewer than 30 percent of FSS families have escrow account balances. 5 points.

(iv) 30 percent or more of FSS families have escrow account balances, but fewer than 60 percent of the PHA's mandatory FSS slots are filled. 5 points.

(v) The PHA has filled 60 to 79 percent of its mandatory FSS slots, but fewer than 30 percent of FSS families have escrow account balances. 3 points.

(vi) The PHA has filled fewer than 60 percent of its mandatory FSS slots and less than 30 percent of FSS families have escrow account balances. 0 points.

(p) *Success rate of voucher holders.* (1) This indicator shows whether voucher holders were successful in leasing units with voucher assistance. This indicator applies only to PHAs that established success rate payment standard amounts in accordance with § 982.503(f) prior to June 6, 2024.

(2) HUD verification method: MTCS Report.

(3) *Rating (5 points):* (i) The proportion of families issued rental vouchers during the last PHA fiscal year that have become participants in the voucher program is more than the higher of:

(A) 75 percent; or

(B) The proportion of families issued rental vouchers that became participants in the program during the six month period utilized to determine eligibility for success rate payment standards under § 982.503(f) plus 5 percentage points; and

[63 FR 48555, Sept. 10, 1998, as amended at 64 FR 40497, July 26, 1999; 64 FR 67983, Dec. 3, 1999; 65 FR 16733, Mar. 29, 2000; 65 FR 16823, Mar. 30, 2000; 65 FR 58875, Oct. 2, 2000; 66 FR 50005, Oct. 1, 2001; 77 FR 32018, May 31, 2012; 81 FR 80583, Nov. 16, 2016; 89 FR 38338, May 7, 2024]

Subpart B—Program Operation

§ 985.101 SEMAP certification.

(a) A PHA must submit the HUD-required SEMAP certification form within 60 calendar days after the end of its fiscal year.

(1) The certification must be approved by PHA board resolution and signed by the PHA executive director. If the PHA is a unit of local government or a state, a resolution approving the certification is not required, and

§ 985.102

24 CFR Ch. IX (4-1-25 Edition)

the certification must be executed by the Section 8 program director.

(2) An PHA that subcontracts administration of its program to one or more subcontractors shall require each subcontractor to submit the subcontractor's own SEMAP certification on the HUD-prescribed form to the PHA in support of the PHA's SEMAP certification to HUD. The PHA shall retain subcontractor certifications for 3 years.

(3) An PHA may include with its SEMAP certification any information bearing on the accuracy or completeness of the information used by the PHA in providing its certification.

(b) Failure of an PHA to submit its SEMAP certification within 60 calendar days after the end of its fiscal year will result in an overall performance rating of troubled and the PHA will be subject to the requirements at § 985.107.

(c) An PHA's SEMAP certification is subject to HUD verification by an on-site confirmatory review at any time.

(Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0215)

[63 FR 48555, Sept. 10, 1998, as amended at 66 FR 50006, Oct. 1, 2001]

§ 985.102 SEMAP profile.

Upon receipt of the PHA's SEMAP certification, HUD will rate the PHA's performance under each SEMAP indicator in accordance with § 985.3. HUD will then prepare a SEMAP profile for each PHA which shows the rating for each indicator, sums the indicator ratings, and divides by the total possible points to arrive at an PHA's overall SEMAP score. SEMAP scores shall be rounded off to the nearest whole percent.

§ 985.103 SEMAP score and overall performance rating.

(a) *High performer rating.* PHAs with SEMAP scores of at least 90 percent shall be rated high performers under SEMAP. PHAs that achieve an overall performance rating of high performer may receive national recognition by the Department and may be given competitive advantage under notices of fund availability.

(b) *Standard rating.* PHAs with SEMAP scores of 60 to 89 percent shall be rated standard.

(c) *Troubled rating.* PHAs with SEMAP scores of less than 60 percent shall be rated troubled.

(d) *Modified rating on an indicator.* A rating on any of the indicators at §§ 985.3(a) through 985.3(h) will be subject to change after HUD receives the PHA's annual audit report or after HUD conducts a confirmatory review if the audit report or the confirmatory review report contains information that the PHA's SEMAP certification concerning an indicator is not accurate.

(e) *Modified or withheld overall rating.* (1) Notwithstanding an PHA's SEMAP score, HUD may modify or withhold an PHA's overall performance rating when warranted by circumstances which have bearing on the SEMAP indicators such as an PHA's appeal of its overall rating, adverse litigation, a conciliation agreement under Title VI of the Civil Rights Act of 1964, fair housing and equal opportunity monitoring and compliance review findings, fraud or misconduct, audit findings or substantial noncompliance with program requirements.

(2) Notwithstanding an PHA's SEMAP score, if the latest IA report submitted for the PHA under the Single Audit Act indicates that the auditor is unable to provide an opinion as to whether the PHA's financial statements are presented fairly in all material respects in conformity with generally accepted accounting principals, or an opinion that the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole, the PHA will automatically be given an overall performance rating of troubled and the PHA will be subject to the requirements at § 985.107.

(3) When HUD modifies or withholds a rating for any reason, it shall explain in writing to the PHA the reasons for the modification or for withholding the rating.

[63 FR 48555, Sept. 10, 1998, as amended at 64 FR 40498, July 26, 1999]

§ 985.104 PHA right of appeal of overall rating.

An PHA may appeal its overall performance rating to HUD by providing justification of the reasons for its appeal. An appeal made to a HUD hub or program center or to the HUD Troubled Agency Recovery Center and denied may be further appealed to the Assistant Secretary.

§ 985.105 HUD SEMAP responsibilities.

(a) *Frequency of SEMAP assessments*—(1) *Annual review.* Except as provided in paragraph (a)(2) of this section, HUD shall assess each PHA's performance under SEMAP annually and shall assign each PHA a SEMAP score and overall performance rating.

(2) *Biennial review for small PHAs.* HUD shall assess and score the performance of a PHA with less than 250 assisted units once every other PHA fiscal year, unless the PHA:

- (i) Elects to have its performance assessed on an annual basis; or
- (ii) Is designated as troubled, in accordance with § 985.103.

(b) *Notification to PHA.* No later than 120 calendar days after the PHA's fiscal year end, HUD shall notify each PHA in writing of its rating on each SEMAP indicator, of its overall SEMAP score and of its overall performance rating (high performer, standard, troubled). The HUD notification letter shall identify and require correction of any SEMAP deficiencies (indicator rating of zero) within 45 calendar days from date of HUD notice.

(c) *On-site confirmatory review.* HUD may conduct an on-site confirmatory review to verify the PHA certification and the HUD rating under any indicator.

(d) *Changing rating from troubled.* HUD must conduct an on-site confirmatory review of an PHA's performance before changing any annual overall performance rating from troubled to standard or high performer.

(e) *Appeals.* HUD must review, consider and provide a final written determination to an PHA on its appeal of its overall performance rating.

(f) *Corrective action plans.* HUD must review the adequacy and monitor implementation of PHA corrective action plans submitted under § 985.106(c) or

§ 985.107(c) and provide technical assistance to help the PHA improve program management. If an PHA is assigned an overall performance rating of troubled, the PHA's corrective action plan must be approved in writing by HUD.

[63 FR 48555, Sept. 10, 1998, as amended at 68 FR 37671, June 24, 2003]

§ 985.106 Required actions for SEMAP deficiencies.

(a) When the PHA receives the HUD notification of its SEMAP rating, an PHA must correct any SEMAP deficiency (indicator rating of zero) within 45 calendar days from date of HUD notice.

(b) The PHA must send a written report to HUD describing its correction of any identified SEMAP deficiency.

(c) If an PHA fails to correct a SEMAP deficiency within 45 calendar days as required, HUD may then require the PHA to prepare and submit a corrective action plan for the deficiency within 30 calendar days from the date of HUD notice.

(Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0215)

§ 985.107 Required actions for PHA with troubled performance rating.

(a) *On-site reviews*—(1) *Required reviews for troubled PHAs.* Except as provided in paragraph (a)(2) of this section, HUD will conduct an on-site review of PHA program management for any PHA assigned an overall performance rating of troubled to assess the magnitude and seriousness of the PHA's noncompliance with performance requirements.

(2) *On-site reviews for small PHAs.* Notwithstanding paragraph (a)(1) of this section, HUD may elect not to conduct an on-site review of a troubled PHA, if:

- (i) The PHA has less than 250 assisted units; and
- (ii) HUD determines that an on-site review is unnecessary to determine the needs of the PHA and the actions required to address the program deficiencies.

(b) *HUD written report.* HUD must provide the PHA a written report of its on-site review containing HUD findings of program management deficiencies,

§ 985.108

the apparent reasons for the deficiencies, and recommendations for improvement.

(c) *PHA corrective action plan.* Upon receipt of the HUD written report on its on-site review, the PHA must write a corrective action plan and submit it to HUD for approval. The corrective action plan must:

- (1) Specify goals to be achieved;
 - (2) Identify obstacles to goal achievement and ways to eliminate or avoid them;
 - (3) Identify resources that will be used or sought to achieve goals;
 - (4) Identify an PHA staff person with lead responsibility for completing each goal;
 - (5) Identify key tasks to reach each goal;
 - (6) Specify time frames for achievement of each goal, including intermediate time frames to complete each key task; and
 - (7) Provide for regular evaluation of progress toward improvement.
- (8) Be signed by the PHA board of commissioners chairperson and by the PHA executive director. If the PHA is a unit of local government or a state, the corrective action plan must be signed by the Section 8 program director and by the chief executive officer of the unit of government or his or her designee.

(d) *Monitoring.* The PHA and HUD must monitor the PHA's implementation of its corrective action plan to ensure performance targets are met.

(e) *Use of administrative fee reserve prohibited.* Any PHA assigned an overall performance rating of troubled may not use any part of the administrative fee reserve for other housing purposes (see 24 CFR 982.155(b)).

(f) *Upgrading poor performance rating.* HUD shall change an PHA's overall performance rating from troubled to standard or high performer if HUD determines that a change in the rating is warranted because of improved PHA performance and an improved SEMAP score.

(Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0215)

[63 FR 48555, Sept. 10, 1998, as amended at 68 FR 37672, June 24, 2003]

24 CFR Ch. IX (4-1-25 Edition)

§ 985.108 SEMAP records.

HUD shall maintain SEMAP files, including certifications, notifications, appeals, corrective action plans, and related correspondence for at least 3 years.

(Information collection requirements in this section have been approved by the Office of Management and Budget under control number 2577-0215)

§ 985.109 Default under the Annual Contributions Contract (ACC).

HUD may determine that an PHA's failure to correct identified SEMAP deficiencies or to prepare and implement a corrective action plan required by HUD constitutes a default under the ACC.

Subpart C—Physical Assessment Component [Reserved]

Subpart D—Small Rural PHA Assessment

SOURCE: 88 FR 30505, May 11, 2023, unless otherwise noted.

§ 985.201 Applicability.

(a) This subpart applies to small rural PHAs as defined in § 902.101 of this chapter.

(b) Small rural PHAs shall be assessed and rated on the indicators and methodology of this subpart and shall not be subject to the SEMAP requirements.

§ 985.203 Assessment indicators and HUD verification methods.

(a) This section describes the performance indicators used to assess a PHA's designation as troubled resulting from the small rural PHA assessment. HUD will use the verification method identified for each indicator. The four indicators are determined on a pass or fail basis.

(b)(1) *Inspection standards.* This indicator shows whether the PHA applied the correct inspection standards to HCV and PBV unit inspections.

(2) *HUD verification method.* The PHA's assessment certification and on-site HUD review when applicable.

(3) *Rating.* The PHA passes the indicator if it applied the correct inspection standards for all unit HCV and PBV unit inspections conducted during the assessment period. If the PHA applied the incorrect inspection standards for any HCV or PBV unit inspection during the assessment period, the PHA fails the indicator.

(c)(1) *Initial unit inspections.* This indicator determines if the PHA conducted the initial HQS inspections within the required time period.

(2) *HUD verification method.* HUD systems show percent of newly leased units where the beginning date of the assistance contract is before the date the unit passed the initial unit inspection or, if the PHA employed the PHA initial inspection option for non-life-threatening deficiencies or alternative inspections, the timing requirements for the applicable PHA initial inspection option.

(3) *Rating.* The PHA passes the indicator if at least 98 percent of units placed under HAP contract during the assessment period passed the initial PHA HQS inspection within the required time period. If fewer than 98 percent of units placed under HAP contract during the assessment period passed the HQS inspection within the required time periods, the PHA fails the indicator.

(d)(1) *Frequency of HQS inspections.* This indicator shows, for units that have been under HAP contract for at least three years, whether the PHA re-inspected tenant-based units under HAP contract and the required sample of PBV units at least once during the three-year period from the last PHA inspection.

(2) *HUD verification method.* HUD systems show the percentage of units that have been under HAP contract for at least three years that have been re-inspected within the required three-year period from the last inspection.

(3) *Rating.* The PHA passes the indicator if at least 98 percent of the units that have been under HAP contract for at least three years have been re-inspected within the required three-year period from the last inspection. The PHA fails the indicator if fewer than 98 percent of these units have been re-

inspected within the required three-year period.

(e)(1) *Unit condition enforcement.* This indicator shows whether, following the inspection of a unit under contract where the unit fails to meet the required standards, any cited life-threatening and non-life-threatening deficiencies are corrected within the required cure period in accordance with §§982.404 and 983.103 of this chapter. In addition, if HQS deficiencies are not corrected timely, the indicator shows whether the PHA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period or terminates the HAP contract or, for family-caused defects, takes prompt and vigorous action to enforce the family obligations. (§982.404 of this chapter)

(2) *HUD verification method.* The PHA certification and on-site HUD review (if performed), and HUD system data.

(3) *Rating.* In order to pass the indicator, the applicable verification method, which may include sampling, determines that the PHA took corrective action within the required timeframes for at least 98 percent of inspections with identified life-threatening or other HQS deficiencies.

(f)(1) *PHA submission of certifications.* The PHA must submit its certifications for the applicable indicators within the designated timeframe required by HUD, and in the form and manner as required by HUD. HUD will issue instructions on the submission of PHA certifications by FEDERAL REGISTER notification, which will be subject to public comment.

(2) *Failure to submit.* Failure of the PHA to submit any certification in accordance with this paragraph will result in the PHA failing the indicator and being designated as troubled under the small rural PHA assessment.

§ 985.205 Determination of assessment rating.

(a) *High performer designation.* (1) A PHA is designated a high performer under the small rural PHA assessment if the PHA has passed all four indicators identified in §985.203 and the PHA:

(i) Has utilized at least 98 percent of its HCV budget authority in the two

§ 985.207

most recent calendar years, or the percent of HCV units leased by renters or occupied by homeowners in the two most recent calendar years was at least 98 percent;

(ii) Did not end that calendar year with excess HAP reserves; and

(iii) Did not end that calendar year in a funding shortfall or receive shortfall prevention funding from HUD.

(2) HUD shall publish the calculation for determining excess HAP reserves in the FEDERAL REGISTER, and such calculation shall provide for public comment before becoming effective.

(b) *Standard performer designation.* A PHA that passed all four indicators but did not meet the funding utilization criteria for a high performer designation in paragraph (a) is designated as a standard performer.

(c) *Troubled PHA designation.* A PHA that failed any of the four indicators under § 985.201 is designated as a troubled PHA under the small rural PHA assessment.

§ 985.207 Frequency of assessments.

(a) *Frequency of small rural PHA assessments—(1) Initial assessment.* The initial small rural PHA assessment will be effective when the PHA's next SEMAP assessment would have been applied. For PHAs that qualify for SEMAP biennial review as a small PHA (less than 250 assisted units), the transition to the small rural PHA assessment will occur when the PHA's next biennial SEMAP assessment is required.

(2) *Triennial assessments.* HUD shall assess small rural PHAs no more than once every three years, except that a troubled small rural PHA shall be subject to an annual assessment in accordance with § 985.209.

(b) [Reserved]

§ 985.209 Troubled small rural PHAs.

(a) *Appeals—(1) HUD action.* HUD must review, consider, and provide a final written determination to a small rural PHA that appeals its designation as a troubled PHA.

(2) *Deciding HUD official.* The HUD decision on the PHA appeal shall be made by a HUD official who has not been involved in and is not subordinate to any person who has been involved in the

original determination to designate the PHA as a troubled PHA under the small rural PHA assessment.

(b) *Corrective action agreement.* No later than 60 days after the date on which the PHA is designated a troubled PHA, the PHA and HUD will enter into a corrective action agreement (CAA) under which the PHA shall take actions to correct the deficiencies upon which the troubled PHA designation is based. The PHA must comply with HUD requirements for the submission of the CAA, including but not limited to the date by which the CAA must be submitted to HUD. The CAA must:

(1) Have a term of one year, and shall be renewable at the option of HUD;

(2) Specify goals to be achieved;

(3) Identify obstacles to goal achievement and ways to eliminate or avoid them;

(4) Identify resources that will be used or sought to achieve goals;

(5) Provide, where feasible, for technical assistance to assist the PHA in curing its deficiencies;

(6) Identify a PHA staff person with lead responsibility for completing each goal;

(7) Identify key tasks to reach each goal;

(8) Specify time frames for achievement of each goal, including intermediate time frames to complete each key task;

(9) Provide for regular evaluation of progress toward improvement;

(10) Provide for the reconsideration of the PHA's designation as a troubled PHA no less than annually, and provide for the termination of the CAA when HUD determines the PHA is no longer troubled;

(11) Provide that in the event of substantial noncompliance by the PHA under the CAA, HUD may (i) contract with another PHA or a private entity to administer the HCV program; and (ii) withhold funds otherwise distributable to the troubled PHA;

(12) Be signed by the PHA board of commissioners chairperson and by the PHA executive director. If the PHA is a unit of local government or a State, the CAA must be signed by the Section 8 program director and by the chief executive officer of the unit of government or his or her designee.

(c) *Monitoring.* The PHA and HUD must monitor the PHA's implementation of its CAA to ensure performance targets are met.

(d) *Annual small rural assessment.* A troubled PHA shall be subject to the small rural assessment on an annual basis.

(e) *Use of administrative fee reserve prohibited.* Any PHA designated as troubled may not use any part of the administrative fee reserve for other housing purposes (see §982.155(b) of this chapter).

(f) *Upgrading poor performance rating.* HUD shall change a PHA's overall performance rating from troubled to standard or high performer if HUD determines that a change in the rating is warranted because of improved PHA performance and a standard or high designation on a subsequent small rural PHA assessment.

(g) *Default under the Annual Contributions Contract (ACC).* HUD may determine that a PHA's failure to correct identified deficiencies resulting from its small rural PHA assessment or to execute and implement a CAA as required by HUD constitutes a default under the ACC.

§985.211 Small rural PHA assessment records.

HUD shall maintain small rural PHA assessment files, including designations, notifications, appeals, corrective action agreements, and related correspondence for at least 3 years.

PART 990—THE PUBLIC HOUSING OPERATING FUND PROGRAM

Subpart A—Purpose, Applicability, Formula, and Definitions

- Sec.
- 990.100 Purpose.
- 990.105 Applicability.
- 990.110 Operating fund formula.
- 990.115 Definitions.
- 990.116 Environmental review requirements.

Subpart B—Eligibility for Operating Subsidy; Computation of Eligible Unit Months

- 990.120 Unit months.
- 990.125 Eligible units.
- 990.130 Ineligible units.
- 990.135 Eligible unit months (EUMs).
- 990.140 Occupied dwelling units.

- 990.145 Dwelling units with approved vacancies.
- 990.150 Limited vacancies.
- 990.155 Addition and deletion of units.

Subpart C—Calculating Formula Expenses

- 990.160 Overview of calculating formula expenses.
- 990.165 Computation of project expense level (PEL).
- 990.170 Computation of utilities expense level (UEL): Overview.
- 990.175 Utilities expense level: Computation of the current consumption level.
- 990.180 Utilities expense level: Computation of the rolling base consumption level.
- 990.185 Utilities expense level: Incentives for energy conservation/rate reduction.
- 990.190 Other formula expenses (add-ons).

Subpart D—Calculating Formula Income

- 990.195 Calculation of formula income.

Subpart E—Determination and Payment of Operating Subsidy

- 990.200 Determination of formula amount.
- 990.205 Fungibility of operating subsidy between projects.
- 990.210 Payment of operating subsidy.
- 990.215 Payments of operating subsidy conditioned upon reexamination of income of families in occupancy.

Subpart F—Transition Policy and Transition Funding

- 990.220 Purpose.
- 990.225 Transition determination.
- 990.230 PHAs that will experience a subsidy reduction.
- 990.235 PHAs that will experience a subsidy increase.

Subpart G—Appeals

- 990.240 General.
- 990.245 Types of appeals.
- 990.250 Requirements for certain appeals.

Subpart H—Asset Management

- 990.255 Overview.
- 990.260 Applicability.
- 990.265 Identification of projects.
- 990.270 Asset management.
- 990.275 Project-based management (PBM).
- 990.280 Project-based budgeting and accounting.
- 990.285 Records and reports.