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U.S. Department of Housing and Urban Development
San Francisco Regional Office, Region IX
450 Golden Gate Avenue
San Francisco, California 94102-3448

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INFORMATION BULLETIN NUMBER 85-11

MEMORANDUM FOR: Owners, Managing Agents and Project Managers of HUD
Subsidized Housing

for FROM: Henry Dishroom, Director, Housing Management Division, 9HM

SUBJECT: Elimination of Part of the Late Charge Provision from Tenant
Leases

It has come to HUD's attention that part of the late charge provision in the Model Lease for Subsidized Programs, found at Appendix 19a of HUD Handbook 4350.3, may not be consistent with California law. Therefore, the offending clauses should be removed from all tenant leases. Specifically, this means:

1. The following sentence must be stricken from the lease section entitled "Charges for Late Payments and Returned Checks:"

"Thereafter, the Landlord may collect \$1 for each additional day the rent remains unpaid during the month it is due."

Any similar provision must also be stricken. Only a late fee reasonably related to the damages suffered by the owner for late payment may be charged, e.g., the Model Leases' late fee of five dollars for rent paid on the sixth of the month or later is acceptable. In HUD's view, the one dollar per day fee is disproportionate and not reasonably related to any damages suffered.

2. Any balances owing tenants due to the imposition of the above-referenced one dollar per day fee must be eliminated.

The existence of the above described clauses, or any similar provision, will be a basis for a negative finding in future management reviews.

If you have any questions, please contact Rose Hamilton, of my staff at 556-1284.