

July 1978

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

Contract No. _____

RENTAL ASSISTANCE CONTRACT

THIS AGREEMENT (herein called the "Contract"), entered into this _____ day of _____, 19____, between _____ (herein called the "Project Owner"), and its successors, and the Secretary of Housing and Urban Development (herein called the "Secretary"), and his successors, WITNESSETH:

In consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Purpose of Contract - The purpose of this Contract is to enable the Project Owner of a particular Section 236 project to admit certain very low-income families and individuals by providing that the Secretary makes payments (herein called "Rental Assistance Payments"), pursuant to Section 236(f)(2) of the National Housing Act, to the Project Owner to reduce the rental payments that such tenants have to make.

SECTION 2. Description of Project - The housing project covered by this Contract (herein called the "Project"), is identified as follows:

FHA Project Number _____, located at _____ consisting of _____ dwelling units, of which _____ dwelling units, which is _____ percent of the total number of dwelling units, may have tenants who receive the benefit of Rental Assistance Payments.

SECTION 3. Project Owner's Certification of Authority - Secretary's Statement of Eligibility of Project Owner - The Project Owner certifies that it has the legal authority to enter into this Contract and to own, operate and manage the Project in accordance with this Contract and the regulations of the Department of Housing and Urban Development (herein called "HUD").

The Secretary states that the Project Owner is eligible and has been approved for receiving Rental Assistance Payments.

SECTION 4. Term - This Contract shall continue until the termination or maturity of the mortgage on the Project (hereinafter called the "Mortgage"), or 40 years from the date of the first Rental Assistance Payment made hereunder, whichever occurs first.

SECTION 5. Maximum Annual Contract Amount - The maximum dollar amount of Rental Assistance Payments that may be made under this Contract in any one fiscal year shall be limited to an amount fixed by the Secretary in the following manner:

Based upon probable effective demand and distribution of tenant income, the Secretary has estimated that Rental Assistance Payments in any one year including a contingency allowance of 10 percent will not exceed \$ _____.

The Project Owner agrees to use its best efforts to secure tenants whose annual rental assistance requirements will not exceed the Secretary's estimate. At the termination of the rent-up period, or at the end of such other period of time as the Secretary may prescribe, and annually thereafter, appropriate adjustments may be made by the Secretary in the maximum annual rental assistance contract amount to reflect the actual requirement of the eligible tenants and a 10 percent contingency allowance. (The rent-up period is that period beginning with the date on which the Project Owner is granted permission to occupy by HUD and the local government and ending with the date sustaining occupancy, as determined by the Secretary, is attained.) Both parties to this Contract shall be obligated to execute an Addendum to this Contract reflecting an adjustment in the maximum annual contract amount as determined by the Secretary. Such an adjustment shall be effective upon the execution of the Addendum.

SECTION 6. Eligible Tenants - The benefits of the Rental Assistance Payments shall be made available only to an individual or family for which a Certificate of Eligibility has been issued, pursuant to the guidelines of the Secretary.

SECTION 7. Certificate of Eligibility - Amount of Rental Assistance Payments - Increase for Hardship - Adjustment Following Reappraisal - The Project Owner will assist an interested person(s) in preparing an application for Rental Assistance Payments. The Project Owner will review the application for eligibility. If the application meets the requirements of the Secretary, the person(s) shall be issued a Certificate of Eligibility. The Certificate shall state the amount of Rental Assistance Payment that the Secretary will make monthly to the Project Owner on behalf of the eligible tenant. This shall be: (1) that amount by which the basic rental charge approved by the Secretary for the unit exceeds one-fourth of the tenant's adjusted monthly income, as determined by the Secretary, when the basic rental charge is determined on the basis of operating the Project with the payment of the cost of utility services used by the dwelling units therein; or (2) that amount by which the basic rental charge plus the monthly cost of reasonable utility services, as determined by the Secre-

try, which is attributable to the tenant's unit and for which the tenant is billed directly, exceeds one-fourth of the tenant's adjusted monthly income, when the basic rental charge is determined on operating the project without payment of the cost of utility services used by the dwelling units therein. In no case, however, shall the rental payment actually made by an eligible tenant be reduced lower than: (a) an amount equal to the utility costs attributable to the unit occupied by the tenant, when the basic rental charge includes utilities, unless the Secretary determines that the application of such requirement in any area would result in undue hardship because of unusually high utility costs prevailing, seasonally or otherwise in such area; or (b) 20 percent of the tenant's adjusted monthly income, when the basic rental charge does not include utilities.

The Secretary may terminate Rental Assistance Payments upon a reported increase in income by the tenant pursuant to Section 9 hereof.

When a tenant's income has temporarily decreased due to illness, loss of job, or other hardship beyond his control, the Secretary may grant a temporary increase in Rental Assistance Payments.

The Rental Assistance Payment shall be adjusted to reflect income changes shown by the recertification of a tenant's income.

SECTION 8. Secretary's Agreement to Make Rental Assistance Payments to Project Owner - - The Secretary agrees to make Rental Assistance Payments to the Project Owner on behalf of eligible tenants in the amounts set forth in the Certificate of Eligibility subject to the adjustment provided herein and the maximum annual contract amount limiting the amount of payments in any one fiscal year. Payments shall be made monthly in accordance with procedures prescribed by the Secretary. In no event shall payments be made for vacant units.

SECTION 9. Lease-Continuing Occupancy-Size of Units - - Occupancy by eligible tenants shall be permitted only upon the execution of a lease in a form approved by the Secretary. The lease must provide that the tenant report immediately any increase in income which results in an adjusted monthly income in excess of an amount which would qualify for Rental Assistance Payments under Section 7. The Project Owner agrees to notify the Secretary in writing of such report immediately so that termination of Rental Assistance Payments can be made. The Project Owner shall be obligated, upon failing to notify the Secretary when a report of such an increase in income is received from a tenant, to reimburse the Secretary for any Rental Assistance Payments made during the period the tenant is receiving the increased income. The lease shall also contain a provision obligating the tenant to reimburse the Project Owner (who, upon being reimbursed by the tenant, is in turn obligated to reimburse the Secretary) for any Rental Assistance Payments made by the Secretary during a period when the tenant's adjusted monthly income has increased to an amount in excess of an amount which would qualify for Rental Assistance Payments under Section 7, and the payments have not been terminated because of the tenant's failure to report the increase to the Project Owner.

Where, by reason of an increase in income, a tenant is no longer entitled to the benefit of Rental Assistance Payments, he may continue to occupy the unit, but in no event shall his rental payment for the unit exceed the fair market rent as determined by the Secretary.

Eligible tenants shall not be permitted to occupy units larger than the Secretary determines necessary for their needs, except on a temporary basis with the prior approval of the Secretary.

SECTION 10. Tenant Selection - - The Project Owner will be responsible for tenant selection and for the usual landlord-tenant relationships, subject to the conditions set forth herein and in the regulations of HUD.

SECTION 11. Defaults - - The violation of HUD regulations, or of any covenant of this Contract, or of the Mortgage, or of the Regulatory Agreement between the Project Owner and the Secretary, or the filing of any false statement or misrepresentation to the Secretary on the part of the Project Owner, shall constitute a default under this Contract. Upon such default, the Secretary may terminate this Contract without further liability hereunder and bring an action to recover from the Project Owner any excess Rental Assistance Payments received in violation of this Contract.

SECTION 12. Non-Assignment - - This Contract or any interest therein may not be assigned without the prior written approval of the Secretary.

SECTION 13. Exclusion - - No member of or delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Contract or to any benefits which may arise therefrom; but this provision shall not be construed to extend to this Contract if made with a corporation for its general benefit.

SECTION 14. Provisions Applicable if Project Owner is a Cooperative Corporation - -

(a) As used in this Contract the term "tenant" includes a member of a cooperative and the term "rental payment" includes the carrying charges under the occupancy agreement between the members of the

cooperative and the cooperative housing owner.

(b) A member of a cooperative who obtains a Certificate of Eligibility shall be required, as a condition of receiving such certificate, to agree that upon a sale of such membership any equity increment accumulated through Rental Assistance Payments will be turned over to the cooperative housing owner and will not be made available to the member. Funds received by a cooperative representing equity increment accumulated through Rental Assistance Payments shall be deposited in a special account by the cooperative and disbursed as directed by the Secretary.

SECTION 15. ~~Renegotiation-Modification~~ - - If, at any future time, the parties find that it would be to their best interests, the maximum annual contract amount may be increased or decreased, or any other provision of the Contract may be modified or amended upon written agreement of the parties.

SECTION 16. Special Conditions - - The following special conditions shall be applicable to this Contract:

(SEAL)

(Project Owner)

Attest:

By _____

Attest:

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By _____