

Residual Receipts Authority to Remit Section 202 and Section 811 Project Rental Assistance Contracts (PRACs)

The Consolidated and Further Continuing Appropriations Act of 2015 granted the Department authority to claim Residual Receipts in excess balance greater than \$250 per unit in a Section 202 and Section 811 PRAC project. Owners must remit the excess to HUD's Accounting Center upon "termination" of the Project Rental Assistance Contract (PRAC). Termination is defined as expiration of the PRAC contract term, which for most PRACs falls on the annual contract anniversary date. **This new policy does not apply to Section 202 direct loans.**

As per instructions received on the most recent Departmental memorandum dated June 19, 2015, by returning assistance funds determined to be in excess of the needs of a project to HUD's Accounting Center, these funds may be reused pursuant to statutory direction to offset PRAC renewal costs and for other program purposes, such as: funding of Service Coordinators, renewal of Senior Preservation Rental Assistance Contracts (SPRACs), or new Section 811 awards. Collections will supplement future program appropriations and reduce the amount of new funds that Congress must appropriate.

HUD defines "**Residual Receipts**" as Multifamily Housing project funds in excess of amounts needed for project operations, and required reserves. Residual Receipts are typically required by regulation or applicable PRAC to be deposited by an owner into an interest-bearing account, often called a Residual Receipts Account.

This guidance will be effective for PRAC contracts with an annual or multi-year term renewal date or expiration date no less than **30 days after** issuance of the memorandum. Should you need further guidance, you may call us at the MFP Center at 787-274-5859, and your call will be redirected to your assigned Accounts Executive.