quarter during the five-year period after the date of issuance in accordance with a determination that at least $250 million in loans were sold and securitized during the previous quarter in the private secondary market.

Section 4
Contract Administrators Selected, Bringing Changes in Several States

Section 4 projects in several states will have new project-based administrators (PBAs) as a result of the reorganization of two-year annual contracts (ACs) for third-party administrators in each state, the District of Columbia, Puerto Rico, and the Virgin Islands.

HUD announced the awards on July 1 for contracts that start on October 1, 2011.

HUD estimates that the reorganization will reduce costs by about $100 million each year for a program costing $225 million annually. The savings largely come from lower administrative fees. The PBAs will administer 15,600 housing assistance payments (HAP) contracts with project owners.

Changes in Administrators

According to HUD, 10 of the 14 largest states will have new contract administrators.

In the biggest change, a subsidiary of the Housing Authority of the City of Los Angeles — the Los Angeles LOMOD Contracting Co. — won contracts for northern California and Nevada in addition to southern California, which it had administered previously. LOMOD said it had broadened its experience to provide public housing and resident services in Los Angeles.

In other states with new PBAs, the Summit Multifamily Housing Corporation of Akron, Ohio, won contracts for New York, and New Jersey, in addition to Maryland.

Other new PBAs include the Ohio Finance Agency in Ohio; the Illinois Housing Assistance Agency in Illinois; Cambridge Housing Services LLC in Massachusetts; Quality Affordable Housing Services Corporation of Livonia, Mich.; and Lone Star Multifamily Housing Solutions of Dallas in Texas; the National Housing Compliance Corporation of Tucker, Ga.; in Florida, and the North Texas Housing Development Corporation of Dallas in Texas.

Other Awards

In other multi-state awards, the Jefferson County Assisted Housing Corporation of Jefferson County, the Person County Housing Authority in Burlington, Ala., won contracts for Alabama, Delaware, Mississippi, Rhode Island, and Connecticut.

The Southwest Housing Compliance Corporation of Austin, affiliated with the city housing authority, won contracts for Arkansas, Kansas, Louisiana, and New Mexico, and CMS Contract Management Services, affiliated with the Bremerrenn, Wash., Housing Authority, won contracts for Alaska, Nevada, and Oregon.

In most of the remaining states, housing finance agencies, housing authorities, and housing development corporations chartered in those states were awarded individual contracts. A list of contract winners is on the HUD website.

Reduction in Costs

The savings in administrative fees came from a reduction in the basic fee that a PBA could propose to 2.5 percent of the two-bedroom fair market rent (FMR) from 3 percent in previous contracts.

According to HUD, most contract administrators were getting a total of 3 percent, which consisted of a 2 percent basic fee plus 1 percent for ancillary services. The incentive is now set at 10 percent of the PBAs' administrative fee amount.

Each PBA administrators HAP contracts that HUD assigns during the accrual term. For HAP contracts that expire during the accrual term, the PBA will enter into a renewal contract with Section 333, which is a multi-family assisted Housing Reform and Affordability Act of 1997 (MAHRAA) and HUD guidance.

The PBA monitors each property's compliance with the terms of the HAP contract, pays property owners, adjudicates contracts rent as necessary, and submits required documents to HUD. Each PBA is responsible for compounding its administrative tasks to other entities.

PUBLIC HOUSING

Proposed Rules for Physical Needs Assessments

The proposed rules for physical needs assessments will be published in the Federal Register in the near future. This will allow for public comments, which will then be considered in the final rule.

Current PNA requirement in the public housing modernization regulations requires PNsAs for PHAs with fewer than 250 units, and they require five-year projections of needs. According to HUD, a 20-year projection is more closely related to the life cycle of buildings and major physical components.

The revised PNA provisions would be added to proposed rules for the public housing capital fund program, which were published for comment on January 7, 2012, and the proposed PNA rules were published at the same time.

Submission of PNA

The proposed rules would integrate the PNA with the existing requirements for energy audits, requiring PHAs to complete the two sets of work in concert. PHAs would be required to identify specific work items and their associated costs that match energy conservation measures identified in the PHAs' energy audit.

PHAs would also have to update their PNA annually.

FLOOD INSURANCE

House Passes Bill to Reform, Extend Insurance Program for Five Years

The House approved a flood insurance reform and reauthorization bill (H.R. 1309) that will extend the national flood insurance program (NFIP) through October 31, 2016, while revising coverage limits and the premium structure.

The House passed the bill, 406-22, on July 12 after approving a number of amendments to the measure as reported out of the Financial Services Committee. (For background, see Current Developments, Vol. 36, No. CD 11, p. 22.)

The bill also provides for a temporary suspension of mandatory flood insurance purchase requirements in designated flood hazard areas that have no previous history of flood hazards or that have flood protection systems which are undergoing improvement.

Terms of Coverage

The legislation would revise the terms of flood insurance coverage and establish minimum deductibles of $1,000 for coverage with premiums set at actuarial rates and $2,000 for subsidized rates.

The bill would clarify that residential coverage applies to one-family buildings, with a limit of $250,000 for each building. The limits on coverage for multifamily buildings, including churches, would be $500,000 for each structure owned by the building owner or $500,000 for each unit for the contents owned by the tenant.

In addition, the bill provides optional coverage of up to $50,000 for businesses, which would have a $50,000 deductible and a $20,000 per year for business as defined on commercial or residential property.

The maximum aggregate area of any flood insurance purchase limits for inflation between September 30, 1994, and the date of enactment of the bill. Any coverage exceed ing the applicable limits would be provided at actuarial rates.

Insurance Premiums

The bill would also revise the rate structure by raising the annual increases from 10 to 20 percent and providing for a five-year phase-in of actuarial premiums for certain properties in newly mapped flood hazard areas. Insurers would have a preferred risk rate, the phase-in would begin at the expiration of the preferred risk rate period.

As reported out of committee, 50 percent of the actuarial premium would have been charged in the first year, with the remainder phased in over the five-year period, but the House adopted a floor amendment revising the phase-in.

Under the amendment, the premium during the first year of the five-year period would be the higher of the (For further information, contact Kevin Gallagher; 202-416-1923.)