

Chapter 13

Debt

Public Housing families may accrue debt due to:

- Failure to timely or properly report changes in family income or household composition
- Damages to a unit that exceed normal wear and tear
- Failure to pay utilities that are the responsibility of the tenant family
- An AHFC determination that a previous rent reduction granted through the Minimum Rent Exemption or Bridge Process needs to be repaid

This policy address how AHFC will assess debt to a family and methods for collecting those debts.

1. Assessing Debt

AHFC will investigate allegations of possible program violations and fraud in all rental assistance programs (see Exhibit 13-1, Program Violations and Fraud Control). Before assessing a debt against a family, AHFC will attempt to discuss a discrepancy with the family. Discrepancies may include:

- Receiving information that differs from the information in the family's file; or
- Receiving verification that contradicts the family's reported income or documentation.

Family failure to properly report changes in family income or household composition are not automatically considered program fraud. Families that receive additional subsidy due to the failure to report are required to repay AHFC.

1.A File Audit

To assess a debt due to family failure to report income or composition timely or properly, AHFC will:

1. Obtain third party documentation to support its claim that the debt is owed.
2. Conduct an audit and document the method of calculation for review by the family or other authorized parties.
3. Compute the amount of debt the family owes.
4. Determine if the family intentionally misrepresented income.

Each subsidy month's discrepancy is detailed so that the family can understand how AHFC arrived at the final overpayment or underpayment amount. The final amount will be provided to the family in written form. The family has the right to grieve AHFC's audit.

1.B Other Debt

AHFC will provide written notice to families regarding debt accrued by the family due to reasons other than failure to properly or timely report. The notice will explain the debt and provide the family with their right to dispute the debt reason and amount.

1.C Recovery of Debt

AHFC will use a variety of collection tools to recover debts, including but not limited to, requests for lump sum payments, civil suits, small claims suits, payment agreements, assignment of or execution on the Permanent Fund Dividend, and collection agencies.

A Public Housing participant family that owes money to AHFC is not in good standing. The family can only attain good standing by paying all sums due.

- If the court awards AHFC monies, the PHD Management Specialist will execute on the Permanent Fund Dividend.
- AHFC will retain all debts as long as a family remains current on its payment plan.
- All other debts will be forwarded to a collection agent for collection.

2. Payment Agreements

AHFC will determine each family's ability to repay based on previous payment history and family income.

2.A Offer a Payment Agreement

AHFC may offer a payment agreement to participants in the following circumstances.

1. Families that can provide evidence that a misunderstanding or miscommunication of program rules resulted in their noncompliance.
2. When debts result from a family member who will no longer reside in the unit.
3. As a reasonable accommodation.
4. Other good cause as determined by AHFC.

2.B Do Not Offer a Payment Agreement

A family is not eligible for a payment agreement in the following circumstances:

1. If the family has a current payment agreement (see below).
2. If the family has failed to make timely payments on a previous payment agreement offered within the last 12 months.
3. If AHFC determines that the family has committed program fraud.
4. To families who owe debt because AHFC did not process a subsidy decrease pending a grievance hearing.

5. To families that demonstrate willful noncompliance with program obligations. For example, if the family failed to report income at the June 2008 examination certifying the income was accurate and then had unreported income that is discovered at the June 2009 examination.
6. An applicant family who owes debt.
7. To families terminated for program noncompliance. Those families may pay AHFC directly to avoid referral to a collection agency.
8. To families convicted of program fraud by the Attorney General's office who are subject to payment terms imposed by the court. The debtor may make payments to AHFC directly to avoid referral to a collection agency.
9. To families that willfully fail to report income or household changes properly a second time.

2.C Existing Agreement

AHFC will not sign a new payment agreement for any new debt if the family has an existing agreement. A regional manager may approve the addition of new debt to an existing payment agreement.

2.D Approval Levels

AHFC will consider a family's total income when determining an appropriate monthly payment. AHFC will negotiate payments the family can afford.

2.D.1. Asset Supervisors and Technicians

An asset supervisor or technician is authorized to execute a payment agreement with a family with the following limitations:

1. The maximum amount (debt) is \$1,200.
2. The maximum length of time (term) is twelve (12) months.
3. The down payment is a minimum of one-tenth (1/10th) of the total amount due **OR** \$25.00, whichever is greater. AHFC may accept a larger amount.
4. The down payment must be paid at the time the payment agreement is executed.
5. The minimum monthly payment is one-twelfth (1/12th) of the balance (debt minus down payment) **OR** \$25.00, whichever is greater. AHFC may accept larger payments or a shorter term.

2.D.2. Regional Managers

A regional manager is authorized to execute a payment agreement with a family with the following limitations:

1. The maximum amount (debt) is \$2,400.
2. A term in excess of twelve (12) months.
3. A waiver of the down payment or a down payment less than \$25.
4. A minimum monthly payment less than \$25 per month.

2.D.3. Director of Housing Operations

Any payment agreements in excess of \$2,400 must be submitted to the Director of Housing Operations for approval.

2.D.4. Director of Public Housing

The Director of Housing Operations will refer Payment Agreements to the Public Housing Director for approval where necessary.

2.E First Payment Due Date

Payments are due on the first day of each month. They are late if not received by the close of business on the sixth day of each month.

2.F Balloon Payments/Permanent Fund Dividends

A family may offer to make a future balloon payment or may elect to assign all or a portion of a Permanent Fund Dividend (PFD) to help satisfy an outstanding debt. A family may also assign a PFD to help reduce the amount of monthly payments.

1. A family cannot assign a PFD in lieu of monthly payments.
2. A family cannot promise to make a balloon payment in lieu of monthly payments.

2.G Executing the Payment Agreement

All adult family members will sign a payment agreement. The down payment must be tendered by the family prior to signing the payment agreement.

2.H Modifications Due to Family Hardship

A family may request that monthly payments be decreased in cases of hardship. To qualify for a reduced monthly payment amount:

1. The family must provide written notice within ten (10) business days of the hardship occurrence.
2. The family must submit documentation verifying the hardship.
3. The hardship must be for a period in excess of 30 calendar days.

AHFC will respond to all family requests in writing. These requests must be approved by the regional manager.

3. Security Deposit Payment Agreement

In order to sign a lease agreement with AHFC and move into a unit, a family must pay a security deposit on or before the move-in date. The family may:

1. Pay the security deposit in full upon signing the lease.
2. Provide AHFC with a letter pledging payment from an AHFC-approved assistance agency before signing the lease.
3. Arrange a Payment Agreement with AHFC. The terms are:
 - a) Pay a minimum of one-third (1/3) of the security deposit as a down payment upon signing the lease. AHFC may accept a larger amount.
 - b) Sign a Payment Agreement for the remaining two-thirds (2/3) balance.
 - c) The maximum length of time (term) is four (4) months.
 - d) The minimum monthly payment is one-fourth (1/4th) of the balance (debt minus down payment) **OR** \$25.00, whichever is greater. AHFC may accept a larger amount.

The regional manager must approve any deviations from the guidelines above.

3.A Pledges

Upon receipt of a pledge from an agency, AHFC will:

- Verify the pledged amount with the pledging agency in writing.
- Obtain all adult household member signatures on the Security Deposit Pledge. The pledge is due the first of the second month following the date of signature.

If AHFC does not receive the pledged amount, the family is responsible for payment. AHFC will allow these families to cure the pledge nonpayment by signing a payment agreement with AHFC (see guidelines in this section, above).

4. Senior Pet Deposit Payment Agreement

For those families that fall under Senior/Disabled pet ownership guidelines, AHFC has the following payment agreement guidelines.

1. The minimum down payment is \$10; a family may pay more.
2. The payment agreement is for the balance of the pet deposit.
3. The minimum monthly payment is \$10; a family may choose to pay more.
4. The maximum length of time (term) is determined by the monthly payments.

For families that choose the minimum monthly payment (\$10), the term of the payment agreement will be longer than 12 months. Staff does not need a regional manager's approval for the longer term in this instance only.

5. Default Notices

AHFC will send the family notices that they have missed a payment and will be allowed an opportunity to bring a payment agreement into compliance. AHFC may terminate assistance for families that fail to make required payments.

5.A Missed Monthly or Balloon Payment

1. The family is considered in default on a monthly payment on the first business day following the sixth day of the month.
2. The family is considered in default on a balloon payment on the first business day following the due date of the payment.

AHFC will give the family ten (10) calendar days to bring their payment agreement current. If the family pays the amount due by the date it is due, the family is in good standing.

5.B Payment Agreement Final Notice

If the family does not make their payment by the date specified on the Payment Agreement Default, the family has thirty (30) calendar days to catch up payments **or** pay the balance due in full. If the family pays the amount due by the date it is due, the family is in good standing.

5.C Nonpayment of Final Notice

If the family does not make their payment by the date specified on the Payment Agreement Final Notice, the client account will be sent to Central Office for collection.

6. Satisfaction

AHFC will close all payment agreements that are paid in full.

7. Debts Dismissed Due to Bankruptcy Action

AHFC retains all debts with their documentation. These debts will remain on the books of AHFC, and AHFC will follow appropriate state statutes for debt collection. If a debtor has filed for bankruptcy in an appropriate judicial venue, these debts will be liquidated at the direction of the bankruptcy court.